FINANCIAL TIMES

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Indonesia's unlikely political heartland, Page 3

World news

Argentine officers' trials suspended

Hearings on human rights charges against scores of middle-ranking military officers have been suspended in three Argentine federal courts following the army mutinies organised by junior and middle-ranking officers which affected three military bases in the past week.

An aide to President Raul Alfonsin said the trials were being suspended until a Supreme Court ruling was made defining the responsibility of junior and middle-ranking officers for abuses committed during the former military regimes of 1976–1983. Page 18

China accuses India

China accused India of massing troops along their common border and said Indian troops were trying to push back the border in places by "nibbling" at Chinese territory. Page 2

Tokyo trade fear

The EEC will express concern that Japanese goods excluded from the US could be diverted to Europe, during trade talks in Japan later this week. Trade talks, Page 4

Pollution claims

Swiss chemical company Sandoz said it had received compensation claims for some SFr 106m ($67m) following the plant fire last year which led to massive pollution of the Rhine.

Chernobyl radiation

Radioactive contamination of soil around the Chernobyl nuclear power plant remained at high levels and was unlikely to change, a Soviet defence chief said. Page 18

Chinese warned

US Commerce Secretary Malcolm Baldrige issued a tough warning to China that exports to the US were rising too fast and that such growth could not continue unchecked. Page 4

Mozambique aid

At least four million of Mozambique's 14m people would need famine relief aid this year – and air lifts and air drops of food would be necessary, the UN Food and Agriculture Organisation said. Page 3

Espionage warning

Polish authorities accused a US diplomat of spying and warned the US that such activities could hinder an improvement in relations. Page 2 Meanwhile, in Iran, an American arrested for spying last June was jailed for 10 years.

US – Iran contact

US state Department admitted having contacts with the People's Mujaheddin Organisation, an Iranian opposition group it had previously condemned. A spokesman said such contacts did not imply any change in US policy towards terrorism.

Soviet AIDS tests

Soviet health officials raised the prospect that some foreigners would be tested for AIDS. In Cape Town, a South African expert said he had isolated a new herpes virus that may kill in the same way and could be a factor in AIDS deaths.

Paris festival

Paris announced an annual spring festival of music, dance and opera, starting next year, to begin on April 25 and run until June. The festival theme will focus on a different European country each year: Italy in 1988, Germany in 1989 and Britain in 1990.

Charity flight

Passengers on a Tel Aviv to London flight donated £45,000 ($72,000) to help pay for a four-year-old girl travelling on their aircraft to have an emergency liver transplant in Britain.

Business summary

Hyster in suit against Japanese

HYSTER, one of the few remaining American manufacturers of forklift trucks, has filed an anti-dumping complaint with the US Government against five Japanese companies, which, they say, are driving the once-thriving domestic industry "towards extinction." Page 18

TOKYO: Heavier institutional buying of large capital stocks pushed the Nikkei average to its first close above 24,000. The market index rose 211.69 to 24,097.79. Page 40

LONDON: A sharply higher opening in response to overnight advances in New York and Tokyo was sustained by gilts, but equities closed off the day's highs. The FT-SE 100 index rose 15.5 to 1,955.7. The FT Ordinary index added 14.9 to 1,546.8. Page 40

WALL STREET: The Dow Jones industrial average closed down 51.13 at 2,285.94. Page 40

DOLLAR closed in New York at DM 1.8235; SFr 1.4940; FFr 6.0670; and Y142.05. It rose in London to DM 1.8240 (DM 1.8165); to FFr 6.0675 (FFr 6.0425); SFr 1.4970 (SFr 1.4930); and was unchanged at Y142.35. On Bank of England figures the dollar's exchange rate index rose to 101.4 (100.9). Page 29

STERLING closed in New York at $1.6295. It fell in London to $1.6275 ($1.6340); to Y231.75 (Y232.50); to SFr 2.4375 (SFr 2.44); but rose to FFr 9.8750 (FFr 9.8725); and remained unchanged at DM 2.9675. The pound's exchange rate index fell 0.1 to 72.4. Page 29

GOLD fell to $444.25 on the London bullion market ($447.875); it also fell in Zurich to $446.00 ($451.75). Page 28

BAXTER TRAVENOL Laboratories, big US health care group, reported first-quarter earnings of $64m, or 28 cents a share, against $49m, or 15 cents, in the same period of 1986. Page 19

MOBIL, second biggest US oil company, reported a 43 per cent drop in first-quarter net income to $252m, or 62 cents per share, from $440m, or $1.08, although revenues only fell by 8.8 per cent to $12.7bn. Page 19

LAURA ASHLEY, UK fashion and textiles group, announced a 25 per cent rise in pre-tax profits to £22.4m ($35.8m) after a year of growth throughout its international operations. Page 25

FINSIDER, Italian state steel concern which is part of the IRI state holding group, is to dispose of Cementir, the cement subsidiary, in what is expected to be an important privatisation. Page 19

AGA, Swedish industrial gases group, has joined the bidding battle for Duffour et Igon, France's second largest industrial gas producer, with an offer worth FFr 466m ($77.6m). Page 19

CARREFOUR, French supermarkets group, strongly boosted profit last year and has announced a tie-up with But, furnishing and household goods chain. Page 19

SUPERMARKETS General, east coast retailer recently pursued by the Dart Group in a $1.8bn takeover offer, has agreed to be acquired by an investment group led by Merrill Lynch Capital Partners and members of the company's senior management. Page 19

E.F. HUTTON and Morgan Stanley, Wall Street securities firms, reported increased first quarter earnings due to continued equity market buoyancy. Page 19

INCO and Falconbridge, Canadian nickel based mining groups, incurred losses in the first quarter of 1987 due mainly to falling nickel prices. Page 19

JAPAN'S four big securities houses – Nomura, Daiwa, Nikko and Yamaichi – showed record pre-tax profits for the six months to March. Page 22

DOMESTIC financial institutions in Japan will be allowed to deal in foreign financial futures and options markets from next month. Page 21

US court decision likely to impede hostile takeovers

BY WILLIAM HALL IN NEW YORK

A US Supreme Court decision on shareholders' rights is likely to mark a major setback for hostile takeover activity in the US.

The court has upheld an Indiana state law that permits companies incorporated in that state to strip new shareholders of their voting rights.

The effect of the Supreme Court ruling made on Tuesday, is significantly to increase the time and difficulty associated with mounting a hostile takeover bid. Until now corporate predators have been able to move very quickly by buying large blocks of shares in the market, sometimes enabling them to take control of the company before the incumbent management has woken up to the danger.

Other states are now expected to introduce legislation similar to Indiana's.

Under the Indiana Control Share Acquisitions chapter of Indiana's corporate law, an investor who acquires shares in a local company above a certain threshold is automatically stripped of his voting rights. To regain them, he has to call and pay for a shareholder meeting which can be delayed by up to 50 days if the company's management wishes. The new shareholder has to win a majority of the rest of the shareholders before the shares regain their voting rights.

As the wave of takeover activity has swept across the US over the last two years, many states have tried to pass legislation protecting local companies from hostile takeover bids. However, until now these various initiatives have been held unconstitutional because they appeared to violate federal laws governing takeover offers.

In the Indiana case, the Supreme Court has reversed a lower court ruling that the state law violated the Williams Act, the federal law which governs corporate takeover activity.

In a six to three decision, the Supreme Court ruled that the Indiana law was constitutional and also did not violate the Commerce Clause of the Constitution which bans state obstruction of interstate commerce.

Justice Lewis F. Powell, who wrote the majority opinion, affirmed the "longstanding prevalence of state regulation" of corporations and the voting rights of shareholders and noted that "there is no reason to assume that the type of conglomerate corporation that may result from repetitive takeovers will necessarily result in more effective management or otherwise be beneficial to shareholders.".

The Indiana takeover law was challenged by Dynamics Corporation of America which in March 1986 announced a tender offer for CTS Corporation which would have increased its stake from 9.6 per cent to 27.5 per cent. A federal court and a federal appeals court both found the Indiana law to be unconstitutional.

The Securities and Exchange

Continued on Page 18

German metal workers win shorter week

BY PETER BRUCE IN BONN

THE working week in West Germany's powerful engineering and motor industries is to be cut by 90 minutes to 37 hours by 1989 under a ground-breaking deal agreed yesterday by employers and the I.G. Metall, the big engineering union.

The agreement, which saved the country from an almost certain national strike, was greeted as historic by labour representatives and with dismay by some employers.

I.G. Metall went into negotiations two months ago with Gesamtmetall, the employers' group, demanding the phased introduction of a 35 hour week and 5 per cent wage increase. It has emerged with a 3.7 per cent wage rise from April 1 this year and another 2 per cent next year, coupled with a one hour cut in the average week to 37.5 hours. A year later, pay will rise by a further 2.5 per cent and there will be another 30-minute cut in the working week.

Mr Franz Steinkuehler, I.G. Metall's president, promised yesterday that the union would continue its campaign for a 35-hour week after the new agreements expired. He said the deal would help create 100,000 new jobs in the metalworking industries and, because employees were compensated for working shorter hours, the deal meant that hourly rates in the industry would have risen 12.9 per cent by March 1990.

The employers who do not share Mr Steinkuehler's view, that shorter hours create more jobs, said they had little option but to compromise: Mr Werner Stumpfe, Gesamtmetall president, said a strike would almost certainly have resulted in shorter hours.

"This was a lesson we learned in 1984." He said, referring to a seven week I.G. Metall strike for shorter hours that led to a cut from 40 hours to an average 38.5 hour week. He said the agreement would involve cost increases of around 4.1 per cent a year for companies but said the length of the deal would allow employers room to plan up to 1990.

The 3.7 per cent pay rise for this year alone will be hard for many employers to swallow, however. West German engineering companies are dependent on exports and the current strength of the D-Mark has hurt. Employers in the tiny state of Bremen, home to many struggling shipyards, called the deal "unbearable."

In Geneva, the International Metalworkers Federation expressed deep satisfaction with the agreement. Mr Herman Rebhan, general secretary, said that the 37-hour week for 4m German metalworkers (only 1.6m are I.G. Metall members) is a giant, historic step forward, especially as it is accompanied by wage increases."

He said the deal would set a new standard for industrialised economies, especially the US and Japan, were the working week is still 40 hours or more.

In Bonn, most political parties welcomed the deal, although for different reasons. The loudest dissenting voice was Mr Martin Bangemann, the Liberal Economics Minister, who criticised the size of the 1987 pay agreement.

Airline aims for new heights in luxury for Atlantic travellers

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

A NEWLY-CREATED US airline is aiming for unprecedented heights in luxury travel between London and New York by using a Boeing 707 aircraft fitted out to carry only 50 passengers.

Royal Atlantic Airways is seeking the approval of The British and US Governments. If granted, the service will start this summer.

For the normal first-class return fare of £2,418 ($3,860) from London, it is claimed that top-flight businessmen or other wealthy travellers would get treatment that is not available on any other scheduled air service, with spacious seats, private sleeping compartments, superb food and other facilities such as in-flight telephones, copying machines and secretarial services.

The aircraft cabin will even be modified to allow "higher levels of humidity in order to prevent moisture loss, which contributes to jet lag", says the airline.

Sample surveys by business organisations and travel agencies on both sides of the Atlantic over recent months have indicated a growing level of dissatisfaction with the quality of first-class and business-class air services, for the fares charged, and there have been indications that a hyper-luxury service could find a ready market.

Mr Brian Bantry, a financier whose activitives have included running commuter airline operations in the New York State area, has decided to do something about it. Royal Atlantic Airways is the result.

"We are not competing with Concorde. The fare differential between first class at £2,418 return and Concorde at £3,180 return is so great that many business houses on both sides of the Atlantic have forbidden their executives from flying Concorde, mostly they go first-class or business class, but do not get very good service for their money. We aim to change that," says Mr Bantry.

He says that his researches among US business travellers have shown that there is a long-felt need for a hyper-luxury air service that would go well beyond the standards offered by even the best of the current North Atlantic airlines.

The flights will be between Newark, New Jersey, and Stansted, Essex. Mr Bantry believes Stansted is an "up and coming airport," but in any event, because every Royal Atlantic passenger will be picked up from home or office by limousine and taken to and from the airport, the location will not be a problem.

Check-in will be up to 30 minutes before departure. Food will be the highest quality available, and inflight comforts will include velvet slippers, toiletries, pyjamas and other items.

But the biggest plus will be the seating and sleeping comfort, with only 50 seats against a normal 180 in a Boeing 707, with six flight attendants. Currently, Jumbo jets with 500 passengers aboard have up to 14 flight attendants.

The aircraft will be "hush-kitted" to reduce engine noise

Ericsson emerges as leading suitor for CGCT

By David Housego in Paris

ERICSSON, the Swedish telephone group which has long been an outsider in the battle to gain control of Compagnie Generale de Constructions Telephoniques, (CGCT), the French state-owned telephone equipment manufacturer, last night seemed set to emerge as the successful bidder.

French officials confirmed that the Government was to reveal its choice today but declined further comment. Ericsson representatives, however, flew into Paris last night in preparation for today's announcement.

The Swedish group which is in partnership with Matra, the French electronics company, will gain access to 16 per cent of the French market in public switching equipment. Although French privatisation procedures prevent Ericsson holding more than 20 per cent of CGCT's shares, it will have management control.

Mr Jacques Chirac, the Prime Minister, and Mr Edouard Balladur, the Minister of Finance, appear to have swung in favour of Ericsson after the Direction Generale des Telecommunications (DGT), the French telephone authorities, made clear they regarded Ericsson's public switching equipment as a satisfactory alternative supplier to that of CGE, the other French manufacturer, which has the rest of the market.

The choice of Ericsson would also avoid the reprisals that could have followed a decision in favour of one of the other two main contenders – AT&T of the US which was in partnership with Philips, or Siemens of West Germany. Mr Balladur, in particular, also strongly backed a European solution.

A crucial turning point in favour of Ericsson appears to have been last week's announcement of its link up with Matra to exploit the growing European market in radio and cordless telephones.

Ericsson has also guaranteed CGCT exports worth FFr 1.5bn ($250m) over 5 years and the setting up of a video communications research unit.

In the Ericsson consortium that seems likely to take control of CGCT, Ericsson will hold 20 per cent of the capital and Matra 49.9 per cent. The remaining

Continued on Page 18

South African police kill black strikers

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SIX-WEEK-OLD strike by 16,000 black South African railway workers erupted into bloody violence yesterday in which at least 4 strikers died hours after the expiry of an ultimatum ordering the railmen to return to work or be sacked.

At least three strikers were shot dead by police near Johannesburg's Doornfontein station. Another was killed during the eviction of strikers from a union office in the industrial suburb of Germiston.

The strike is the most sustained and serious example of black unrest since the government clamped down on political protest by reimposing the state of emergency last June. The deaths of the strikers threaten to become a major issue in next month's general election, which is being fought largely on the question of the government's handling of internal security.

Reporting of the incidents is severely restricted by the emergency regulations. But according to the police, they fired on a group of strikers armed with knives and clubs at Doornfontein after they had severely wounded a police major and two constables and refused orders to disperse.

In the earlier incident at Germiston, police said they fired in self-defence after being attacked by a crowd of strikers armed with similar home-made weapons. A policeman suffered a cracked skull and another a light stab wound in the fighting.

The violence occurred hours after over 16,000 of the strikers defied a return to work or be sacked ultimatum from the management of the state-owned S.A. Transport Services (Sats). A Sats spokesman said last night that the 16,000 strikers, who have already lost six weeks pay and their annual bonus, could now consider themselves dismissed.

Later the security forces cordoned off Cosatu House, which houses unions affiliated to the left-wing Congress of South African Trade Unions, including the S.A. Railway and Harbour Workers Union (SARHWA) to which the strikers belong.

The strike, which began over the disciplining of a black worker at Johannesburg deep container terminal, is the longest ever to take place in a strategic industry where strikes are illegal.

Violence has escalated over the last two weeks with over 60 suburban railway cars petrol bombed or stoned despite the deployment of security forces to guard trains and stations.

Union spokesmen later told a clandestine press conference that police shot strikers fleeing from the Germiston office after breaking up a peaceful union meeting, killing three and wounding many more. They accused the SA Transport Service (SATS) and the Government of taking concerted action to break the strike

Bank of England moves to curb £

BY JANET BUSH IN LONDON

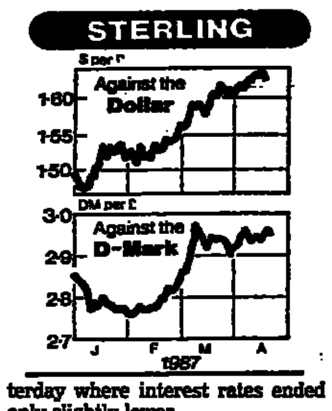
THE Bank of England yesterday in the money markets intervened to prevent sterling rising in the wake of another opinion poll showing a substantial lead for the Government of Mrs Margaret Thatcher.

The pound traded at its highest level since the week before the British budget when the authorities sanctioned a half percentage point cut in UK base lending rates.

Money supply figures for March released yesterday showed that the narrow measure Mo, ended 1986/87 in the middle of the Government's target range and is therefore not seen as an impediment to lower interest rates.

However, despite sterling's strength, there was little immediate pressure for further base rate cuts in the domestic money market yesterday where interest rates ended only slightly lower.

STERLING



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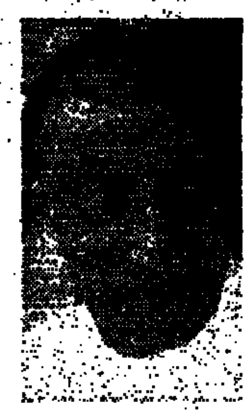


TAKING ON THE TAMIL TIGERS

Sri Lankan Prime Minister Junius Jayewardene; promising 'strong measures' against rebels, Page 18

Union chips away at W German work week

By Peter Bruce in Bonn

WHEN THE West German metalworker's union, IG Metall, went on strike for seven weeks in 1984 in support of a shorter working week, Chancellor Helmut Kohl responded by calling the action "dumb and foolish."

However, after bringing the motor industry to a standstill, the union, the biggest in the capitalist world with more than 1.5m members, won a cut in the working week from 40 hours to an average 38.5 hours.

The employers then were able to comfort themselves with the thought that they had given away to brute force, not to principle. But yesterday's hard fought agreement between IG Metall and the West German engineering employers group, Gesamtmetall, establishes a firm precedent.

A 37.5 hour week is to be introduced from next April 1 and another 30 minute cut comes into force a year later. It is, in many ways, historic. IG Metall, in many ways, has won a great deal.

The shorter working week, championed by the unions as a way of cutting unemployment, has become an institution. The employers may be pleased about stopping the union short of its graduated 35-hour week goal, but it is a Pyrrhic victory at best.

Although the employers also won agreement on a three-year pay deal — a 3.7 per cent pay rise backdated to April 1 this year followed by 2 per cent in April 1988 and 2.5 per cent a year later — the struggle towards a 25 hour week seems certain to be revived in 1990.

For one thing, Mr Franz Steinkuehler, IG Metall's new leader, is its youngest ever president and he is a passionate champion of the shorter week. The employers also appear to have failed this time to obtain any concessions on Saturday working or on greater flexibility for automated machines outside working hours.

Pressure in industry for greater machining flexibility is bound to increase especially as the strength of the D-Mark whittles away at export profit margins. IG Metall's almost certain response will be to demand more time off rather than more money.

In fact, while the deal worked out between Mr Steinkuehler and the Gesamtmetall president, Mr Werner Stumpfe, at around midnight on Tuesday appears to guarantee the country's 20,000 or so engineering employers three years of industrial peace, a new round of low key warfare now seems certain to shift to overtime.

Daimler Benz, for instance, has recently had to make an expensive peace with its IG Metall works council, who accused it of using overtime as a way of avoiding hiring people.

Yesterday's agreement must nevertheless come as an enormous relief to the Government in Bonn. With the economy weak and the currency too strong for exports, a strike now would have been much harder to handle than in 1984.

Mr Steinkeuhler and Mr Stumpfe, both just 49, are relatively new to their jobs. Both men have a second point of contact in that Mr Stumpfe is on the executive board of Mannesmann Demag and Mr Steinkeuhler is deputy chairman of the Mannesmann holding company's supervisory board as a worker representative.

There seems little doubt that their 12-hour marathon on Tuesday will not be their last.

Haughey urges Irish to ratify Single European Act

BY HUGH CARNEGY IN DUBLIN

MR CHARLES HAUGHEY, the Irish Prime Minister, said yesterday that failure to ratify the Single European Act would be seriously detrimental to Ireland's interests. He was calling for a vote in favour of the Act, which aims to secure closer economic and political co-operation between EEC member states, when it is put to a referendum on May 26.

A referendum became necessary when the Supreme Court ruled that the foreign policy aspects of the Act contravened the Irish constitution. Implementation of the Act, a key instrument of efforts to promote European unity, has been held up since January because of Ireland's failure to ratify.

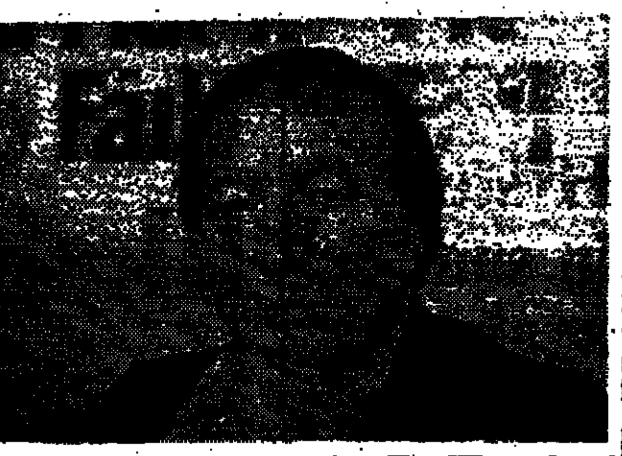
Addressing a special session of Parliament convened to pass the proposed constitution amendment, Mr Haughey said that economic development in Ireland, which last year had net receipts from the Community of I£900m (£818m), had been given "an enormous impetus" by its membership of the EEC over the past 14 years. "Our future is crucially linked and dependent on a Community which is growing and developing," he said.

However, he did express reservations about some of the possible economic consequences of the Act for Ireland. He said his Fianna Fail government would include a declaration of Ireland's special economic needs and commitment to military neutrality when it ratified the Act, assuming it is approved.

The Act is being supported by Fine Gael and the other main opposition parties, although they are seeking to alter the narrow wording of the proposed amendment. This does not take into account possible consequences of the Supreme Court judgment for other international accords such as the Anglo-Irish Agreement.

But the amendment is due to be passed by Parliament at the weekend, allowing the referendum to go ahead. It is expected to be approved in the national vote, but some commentators in Dublin have voiced warnings that the result may not be a foregone conclusion.

A major body within the powerful Roman Catholic Church has this week expressed reservations about neutrality and moral consequences of the Act — they fear, for example, that Irish laws against divorce and abortion might become subject to European scrutiny.



● Mr Haughey (right): "enormous impetus" from the Community

MEPs baulk at tax on oils and fats

BY WILLIAM DAWKINS IN BRUSSELS

A CONTROVERSIAL European Commission proposal for a new tax on vegetable oils and fats has run into fresh opposition from MEPs.

The European Parliament's agricultural committee has voted by 26 to 11 to reject the tax, thereby making it likely that the full Parliament will follow suit at its next session in May.

This will complicate significantly the Commission's efforts to push through a tax which, it argues, is essential to curbing the growing costs of supporting the oils and fats sector, estimated to reach Ecu 4bn (£2.8bn) this year. Commission officials reckon that the tax could raise Ecu 500m this year, rising to Ecu 2bn in 1988.

Mr James Proven, the British Conservative agriculture spokesman for the European Democratic Group of MEPs, claimed yesterday: "This will throw the Commission's entire agriculture price package into disarray."

The oils tax, which is also designed to cut surpluses in the sector, has run into stiff opposition from the Netherlands, Denmark, Britain, West Germany and Portugal.

They are unwilling to accept a measure which would drive up the consumer price of such a basic commodity, while at the same time threatening to exacerbate trade frictions with the US, a major exporter of vegetable oils to the EEC.

Multi-party system for Hungary discounted

BY LESLIE COLITT IN BERLIN

A SMOULDERING debate within Hungary's Communist Party on political pluralism cannot lead to a multi-party system in the near future, a prominent party official has warned.

Mr Janos Berecz, a central committee secretary, admitted that the party was debating a form of power-sharing. The debate erupted most recently at a central committee meeting last November on the future of the economic reforms which were stalled for political reasons.

As the senior party official responsible for ideology, Mr Berecz is regarded as a top contender to succeed the long-time party leader, Mr Janos Kadar.

He said that to allow a multi-party system in Hungary such as existed in "bourgeois democracies" was "unrealistic." The political struggle which would take place would divide society fundamentally.

Mr Berecz made his remarks in the party's monthly journal, Partelet. He said the Hungarian party would provide leadership but would "share the practice of power" together with other groups.

● A leading proponent of wider-ranging economic reform, Professor Ivan Berend, has said that private enterprise in Hungary had achieved "extra-ordinary importance." Prof Berend, president of the Academy of Sciences, pointed out that a third of agricultural output was now privately created, along with more than 50 per cent of services and 80 per cent of building.

US envoy quits Poland accused of espionage

BY CHRISTOPHER BOBINSKI IN WARSAW

A US DIPLOMAT has left Poland accused of passing espionage instructions to a Polish citizen.

Mr Jerzy Urban, the government spokesman, said yesterday that Mr Albert Mueller, who had been in Warsaw as a political officer since 1985, had met leading figures from the banned Solidarity movement, such as Mr Janusz Onyszkiewicz, its spokesman, and Mr Bronislaw Geremek, a leading adviser to Mr Lech Walesa, the Solidarity leader.

The insinuation that Solidarity is engaged in such activities is evidently designed to put the movement off balance in advance of May Day when traditionally it calls on its supporters to demonstrate.

Mr Mueller's departure from Poland before being formally expelled suggests that both sides want to minimise the diplomatic repercussions of the incident at a time when Polish-US relations are improving after five years of sanctions following the introduction of martial law.

Mr Urban also said that a Polish-Soviet statement agreed in Moscow on Tuesday, admitting that historical relations between the two countries had not in the past been covered in full, was a significant event.

French get help to save more

By David Housego in Paris

FRENCH CITIZENS will obtain substantial tax advantages under a bill, given its first reading in the National Assembly yesterday, which is intended to encourage long-term savings and privately funded pension schemes.

But the project, long favoured by Mr Edouard Balladur, the Finance Minister, was amended significantly on the floor of the House under criticism from members of the Government's own majority.

In part the criticism reflects the impatience of government supporters at the slowing down of the economy and the Finance Minister's resistance to providing a fresh stimulus to investment.

The bill is intended to help reverse the long-term decline in the savings ratio in France, while boosting privately funded pension schemes at a time when the state supported social security fund is coming under increasing financial strain.

Socialist and Communist deputies voted against the bill on the grounds that it favoured savings by the better-off. They claim that it will introduce a two-tier pension system, with only those on higher incomes being able to take advantage of the Government's new measures.

Under the bill, a couple will be able to claim up to FFr 15,000 (£1,530) a year in tax deductions—or FFr 3,000 more than the government had originally intended—for savings geared to retirement.

Once retired, their income from the pension will be liable to a special 36 per cent rate of tax when they are 60 years old, falling to 26 per cent after 67 years of age.

In an amendment, the Government has also reduced the rate of corporation tax from 45 per cent to 42 per cent as of next year. This is in part a response to criticisms from within its own majority over the need to strengthen company's investment resources.

● The French Government yesterday unveiled plans to combat long-term unemployment which affects about 800,000 people, Reuter reports.

A package presented to the cabinet by Mr Philippe Seguin, the Social Affairs and Labour Minister, will be put to parliament for approval. The main measures would give employers financial incentives to offer short-term work contracts of at least two years and five-month working attachments.

Long-term unemployment is defined as being out of work for more than one year. The short-term work contracts are reckoned to help about 10,000 unemployed and the five-month attachment some 20,000 in the first few weeks following adoption of the measures.

Madrid acts on money supply

BY DAVID WHITE IN MADRID

COMPULSORY reserve requirements of Spanish banks are being raised for the second time in two months as part of a fresh package of measures aimed at bringing down the growth in money supply.

The Bank of Spain announced a half-point increase to 19.5 per cent of banks' total deposits. The measure, which follows a full point increase in March and brings the level close to the 20 per cent legal limit, will take an estimated Pta 100bn (£483m) of liquidity out of the system.

In an attempt to prevent monetary controls being undermined by foreign currency inflows, the basis on which the compulsory deposit requirements are calculated is being extended to include the balances of convertible peseta accounts.

The Bank admited that previous measures, including the pushing up of short-term interest rates, had failed to brake the rapid expansion of monetary aggregates since the beginning of the year.

Yesterday's restrictions followed publication of a 0.6 per cent rise in consumer prices in March, bringing the 12-month rate to 6.3 per cent and raising doubts about the feasibility of the Government's 5 per cent inflation target for the year.

For the banks, the increases in compulsory reserves counteracts the effect of recent liberalisation measures.

Mr Mariano Rubio, Governor of the Bank of Spain, yesterday reaffirmed the emphasis on monetary controls as a means of regulating the economy.

Speaking at a Spanish-UK financial seminar inaugurated hereby the Prince of Wales, he said that continued monetary control was one of the essential requirements, along with reduction of the state budget deficit, for Spain to be able to keep up with the process of deregulating the financial sector.

Moscow and Bonn sign N-pact

BY DAVID MARSH IN BONN

WEST GERMANY and the Soviet Union yesterday signed a wide-ranging agreement to co-operate over nuclear energy, raising hopes here of large oredrs to improve safety at Soviet power stations.

The accord was signed in Moscow by Mr Andranik Petrosjanz, the chairman of the Soviet atomic energy committee, and Mr Heinz Riesenhuber, West Germany's research minister, responsible for his country's atomic research and development.

A spokesman for Kraftwerk Union (KWU), the West German reactor company, welcomed the agreement as setting the "political conditions for a commercial deal on nuclear co-operation.

KWU, owned by the Siemens electrical giant, has for several months been discussing with the Soviet Union selling equipment to modernise and improve the safety of nuclear reactors in the wake of the Chernobyl disaster a year ago.

Both Kwu and a separate industrial consortium including Brown Boveri, Deutsche Babcock and Mannesmann have also been negotiating to supply the Soviet Union with technology to build small high temperature reactors (HTRS).

Yesterday's agreement was due to have been signed at a ceremony last November which was postponed after a cooling of diplomatic relations between Bonn and Moscow at the end of last year.

Apart from nuclear safety matters, the accord provides for exchanges of information about radioactive waste, nuclear fusion, and high energy physics. A group of experts is to meet shortly, probably in Bonn, to work out specific joint projects.

Eximbank grants $100m facility to Turkey

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import bank and the Turkish Government have agreed to establish a $100m medium-term lending facility with the financing to be provided by five big US banks.

With US banks – Chase Manhattan, Citibank, Irving Trust Manufacturers Hanover and Bankers Trust – have established a consortium and will sell off part of the loans to other American banks. The US banks are also expected to provide a companion facility of $70m at their own risk.

Eximbank will guarantee 85 per cent of the $100m credit line, and the Turkish Government, which will lend the money to its own commercial banks, will take the exchange rate risk.

Eximbank and the Turkish Government will act essentially as a funnel, taking money from several US banks and sending it easily and efficiently to several Turkish buyers of US capital goods and services, an Eximbank loan officer said.

He said the credit lines are the kind of innovative financing scheme the lending agency will be using as it tries to become more competitive with other export credit agencies.

The facility will finance deals ranging from $200000 to $10m. Loans are to be repaid in ten semiannual instalments, with interest at a floating rate over the London Inter-Bank Offer Rate (Libor).

The financing will be available to Turkish customers through their government's under secretariat for the Treasury and foreign trade or their local commercial banks.

The Turkish Government will then apply to Eximbank or its two agents. Irving Trust and Manufacturers Hanover.

Irving Trust and Manufacturers Hanover will handle funding documentation and disbursements to exporters.

East Germany moves toward 40-hour week

THE HEAD of East Germany's communist-controlled trade unions announced yesterday that this country would move by steps towards a 40-hour working week, Reuter reports from East Berlin.

Communist Party politburo member Mr Harry Tisch, addressing delegates at the start of a trade union congress, gave no timetable for the reduction from the present average 43.5 hour week. But he said progress depended on developments in the national economy.

He said every fifth person already worked a 40 hour week, including mothers with more than one child and night workers.

Mr Tisch also announced a 12 per cent rise in pensions from next year.

He said the increases would amount to the equivalent of between $16.5 and $55 a month, depending on the number of years worked.

Thai PM under pressure in parliament

By Peter Ungphakorn in Bangkok

GENERAL Prem Tinsulanonda, Thailand's Prime Minister, faces one of his most severe political tests since taking office seven years ago, following the withdrawal of a no-confidence motion in parliament yesterday.

The censure motion, the first to have included Gen Prem as one of its targets, was withdrawn at the last minute following intense lobbying by his supporters, including some senior army officers. Eventually the opposition sponsors of the motion were reduced to one short of the minimum needed to open a no-confidence debate.

Gen Prem is widely seen to have been unwilling to face public criticism even though aides deny he was behind the lobbying. For the first time he was booed as he left parliament, mainly by supporters of one of the opposition parties, the Thai Citizens' Party.

His aides moved swiftly calling news editors from all the radio and TV stations—but not from the press—to a meeting where it was suggested they should play down the booing.

The only politicians who looked happy yesterday were opposition leaders who said they would muster more support and submit a new no-confidence motion early next week.

Bangladesh aid pledges raised

By David Housego in Paris

BANGLADESH yesterday obtained just over $2bn of fresh aid pledges, or 6 per cent more than last year, from member nations of the World Bank aid consortium.

Because of the decline in the dollar, however, the fresh aid announced after the consortium's annual meeting on Bangladesh represents a decline of 2 per cent in real terms.

Mr Mohammed Syeduzzaman, the Minister of Finance, nonetheless described the level of funding as "reasonable" in the present international aid environment. But he expressed disappointment that donor nations had not made available more fast disbursing commodity or food aid.

Bangladesh had sought almost $20m more of commodity aid than the $565m pledged and $25m more than the $225m pledged in food aid.

Instead the increased funding for the coming year will concentrate on project aid which is to rise by $100m to $1.1bn. According to World Bank calculations, Bangladesh has a backlog of $4.7bn of undisbursed project aid which the Bank described as "too high" before yesterday's meeting.

Taipei replaces ministers

By Robert King in Taipei

TAIWAN'S ministers of foreign affairs, defence and communications and the vice-premier have been replaced in the second phase of a Cabinet reshuffle.

The Central Committee of the ruling Nationalist Party also replaced directors of government information, the Institute of International Affairs and the National Youth Commission.

The replacements were expected. In late February five other top officials were replaced and the reshuffle is expected to continue.

The changes reflect a growing consensus within the party that younger, more pragmatic figures are needed in key positions to keep Taiwan's current political, economic, and social liberalisation on track. Late last week, for instance, the Government confirmed the appointment of a tough minded Taiwan native to head the judiciary as part of a campaign to weed out corruption and ineptness in the courts.

China condemns India on border

By Robert Thomson in Peking

CHINA HAS intensified its verbal attacks on India over alleged breaches of the two countries' disputed border and over reports in the Indian press that Chinese forces are preparing to "teach India a lesson."

A Chinese Foreign Ministry spokesman yesterday accused Indian forces of "repeatedly crossing the line of actual control by the two sides," of "nibbling" at Chinese territory and of violating Chinese airspace "from time to time."

The spokesman criticised the holding of an Indian military exercise in the border region, and urged India to "refrain from provoking incidents." He said that Indian reports of a Chinese military build-up in preparation for an attack are "sheer rumour concocted out of ulterior motives."

China and India fought a short but bitter border war in 1962, which led to a 14-year break in relations. Diplomats have noted that China has become increasingly irritated by India in recent months, following the Indian Government's decision in February to grant statehood to the disputed territory of Arunachal Pradesh.

India claims 38,000 sq km of territory on the Chinese side while China claims more than 90,000 sq km of Indian territory.

Two held over Cyprus attack

TWO ARABS have been detained by Cyprus police in connection with Monday's armed attack on a British corporal and 15-year-old girl near Limassol. Both hold Bahrain passports, writes our Nicosia correspondent.

Police said they had also seized two hire cars which were being examined in connection with the attack. Reports from Larnaca, where one of the men was arrested on Tuesday night, said spent cartridge cases from a Soviet-made AK-47 automatic rifle were found in his car.

Corporal John Bailey of the Royal Corps of Signals, who was slightly hurt in the leg, has already left hospital. Miss Linda Wilkinson is still being treated at Saint Mary's Hospital, Akrotiri, for a gunshot wound in the back.

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Laura Raun reports on the background to the worst strike in a decade at the world's biggest port

Rotterdam counts the cost of a tarnished reputation

SINCE the beginning of this year the port of Rotterdam has been sporadically closed by the worst strikes in a decade as labour unions battle against job losses and more flexible working conditions. The stoppages have cost more than Fl 12m (£3.6m) in lost business and tarnished Rotterdam's reputation for peaceful labour relations.

Cargo companies in the 700-year old port argue vehemently that automation and slower growth mean fewer stevedores and more flexible hours and tasks are needed. Rotterdam labour costs are high by international standards and employers insist that the payroll must be trimmed to stop operating losses.

Labour unions agree that some jobs must go but contend that forced lay-offs can be avoided through transfers and retirement. After suffering large job losses over the past 10 years transport union members — historically more radical—are adamant that this time they will not give away jobs. In return for more variable shift work, dock workers are demanding shorter work hours.

"We are not Luddites, we are not arguing for the coal-fire on an electric train," explains Mr Bert Duym, spokesman for the FNV transport union. "We say that when there is a fall in general cargo those workers can be transferred to another sector of the port such as container cargo."

After being stalled for six weeks, talks are due to resume tomorrow between the SVZ Port Industries Association, which represents employers, and the transport union, over the dispute in the general cargo sector.

Cargo companies plan to scrap 350 jobs this year and another 450 by 1990 — which prompted union members to stage lightning strikes for two months early this year.

Employers have apparently dropped their demand for forced dismissals, which could pave the way for an end to the three-month-old conflict. But the underlying struggle between technology and jobs, seen in ports around the globe, will continue as Rotterdam presses on with modernisation.

In Rotterdam's grain sector, wildcat strikes have been staged for the past two weeks over issues of flexibility, shorter hours and wage rises. They were suspended on Tuesday night.

Both employers and unions agree that slimmer manning levels are needed if Rotterdam is to maintain its leading edge. Growing competition from smaller ports, shrinking world trade and changing trade flows are demanding automation, computerisation and consolidation.

Rotterdam has reigned as the world's largest harbour for a quarter of a century, handling 255m tonnes of goods in 1986—37 per cent more than its closest rival, Kobe in Japan.

In recent years, however, worldwide shipping has been shrinking and the Dutch port remains far below its peak year of 1979 when it handled 294m tonnes of freight. The number of jobs has plunged by one third to 10,000 from 15,000 in 1980.

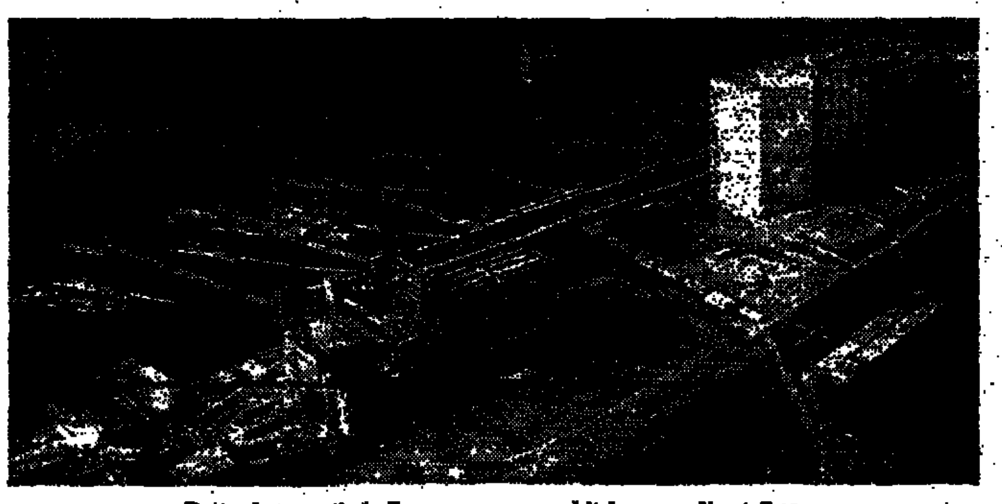
As the shipping industry has contracted, trade flows have been shifting toward the Pacific Ocean and away from the Atlantic. More container cargo now sails across the Pacific than the Atlantic.

Rotterdam also is facing increasing competition from ports from Hamburg and Le Havre. These smaller ports are investing in high technology, promising faster service and offering cheaper harbour fees.

With wharves and quays strung along 35 km of the Rhine mouth, Rotterdam still handles nearly half of all cargo passing through the Hamburg to Le Havre arc and close to one quarter of all goods entering western Europe.

More than Fl 700m has been invested in a reorganisation of the general cargo sector, computerised traffic control system and a sophisticated telecommunications network. Consolidation among general cargo companies has reduced their number to 17 from 24 only a few years ago.

General cargo is the largest sector of the port and is the most labour intensive, employing 4,000. But in Rotterdam, as in ports worldwide, general cargo is giving way to container cargo. Handled almost entirely by computer-controlled cranes.



Rotterdam port's bulk cargo area . . . hit by sporadic strikes

As the volume of general cargo has fallen, joint losses among the five main companies in the sector have grown to Fl 70m over the past five years, the SVZ Port Industries Association claims. Another Fl 30m loss is predicted for this year.

"Costs must fall," Mr Jacques Schoufour, chairman of SVZ, asserts. "If you look at the costs of general cargo, 75 per cent is labour."

Mr Schoufour, whose family owns Frans Swarttouw, one of Rotterdam's biggest cargo companies, says that the unions are more militant than during the lay-offs of the early 1980s. Stevedores are fighting even more stubbornly now, he believes, because of the sharp loss of jobs there.

But Mr Duym of FNV says cargo companies should simply raise prices to stop their losses. He contends that Rotterdam's convenient location, deepwater harbour and modern facilities will keep shippers even if fees go up.

When the Port Industries Association and the transport union come back to the negotiating table the outcome of their talks may well pave the way for an agreement in the grain sector. But the issue of fewer jobs in a contracting industry which is also becoming heavily automated is not likely to disappear.

FAO urges airlift of food to Mozambique

BY MICHAEL HOLMAN, AFRICA EDITOR

THE UN Food and Agricultural Organisation (FAO) yesterday called for an airlift of food parts to Mozambique affected by a combination of civil war and poor rains, leaving nearly a third of the country's 14m population in urgent need of assistance.

An FAO report said that 40 of the 45 countries in sub-Saharan Africa will need 3.2m tonnes of food aid this year, but singled out Mozambique, Angola, Botswana, Ethiopia and Lesotho as facing "exceptional food emergencies."

Mozambique, however, has been especially hard-hit by war and bad weather. The FAO report estimates that Mozambique will need 650,000 to 750,000 tonnes of emergency food aid during the next 12 months. "The affected and displaced population has increased to over 4m and substantial numbers of these are in inaccessible rural areas and face starvation unless further exceptional measures are taken by the international community and the government."

"Air-lighting and air-dropping may be required in the coming weeks in order to avoid further suffering and loss of life," said the report.

● The Zambian Government, facing the "most severe economic crisis since independence in 1964, yesterday cancelled increases of up to 70 per cent in petroleum prices less than 24 hours after they were introduced. It is the second such climb-down by the Government in four months.

S African gold miners strike

By Anthony Robinson in Johannesburg

ABOUT 24,000 black gold miners at the Randfontein estates and Western Areas gold mines owned by Johannesburg Consolidated Investments (JCI) also went on strike in protest against the company's plans to retrench workers made redundant by its extensive mechanisation plans.

Management has been negotiating the issue with the National Union of Mineworkers (NUM) since August and the strike, which is illegal, took them by surprise. Management and union officials met again to try and end the strike yesterday. Failing agreement the miners face the risk of dismissal.

The NUM has decided to make an issue of labour-replacing mechanisation,

Moscow warns on Gulf shipping attacks

MOSCOW yesterday warned against any interference with vessels flying the Soviet flag in Gulf waters in line with what Western diplomats see as a new policy of taking a higher profile in the region, Our Middle East Staff reports.

Mr Ivanov Galitzin, who is in charge of Gulf Arab affairs at the Soviet Foreign Ministry, said in Abu Dhabi on Monday night that his Government would reply "firmly" to any attack on Soviet ships.

Any measures would be in conformity with international law, he added in a public lecture. Mr Galitzin accompanied Mr Vladimir Petrovsky, a Soviet Deputy Foreign Minister, on a visit to the Gulf which has just ended. He revealed to President Zayed of the United Arab Emirates a proposal of Mr Mikhail Gorbachev for an international conference on shipping in the Gulf.

Western governments still have not received clarification of what exactly the Soviet leader envisages. A significant part of the recent talks between him and Sir Geoffrey Howe, British Foreign Secretary, were devoted to the Iran-Iraq war but Mr Gorbachev is understood to have made no mention of his plan.

John Murray Brown reports on the one area likely to represent a challenge in today's poll

Jakarta courts votes of far flung outpost

ACEH IS perhaps not the first place that springs to mind as Indonesia's 94m voters go to the polls today in national elections, the fourth held under President Suharto's new order regime. Perched on the westernmost tip of northern Sumatra, this Islamic stronghold of 3m inhabitants could hardly be described as the political heartland.

It is nonetheless providing the one real contest in an otherwise predictable election which the President's ruling Golkar Party seems all set to win.

In a constituency which often seems obsessed by its own history, Golkar could perhaps do worse than point out the Dakota DC-3 now gathering moss in a *football field in the provincial* capital. Forty years ago Aceh's rich pepper traders bought this plane. It was Indonesia's very first civilian aircraft and played a vital role in the war of independence with the Dutch.

That same spirit has been the leitmotif of Golkar's campaign in this *far-flung outpost* at a time when the country's economic recession makes elections more than ever a vital exercise in nation building.

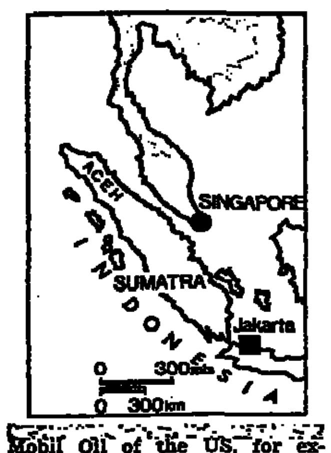
Today's national poll is to return 400 members for the 500-strong House of Representatives, a largely ceremonial body with little or no political muscle. A further 100 seats are reserved for military appointees. There are just three officially sanctioned parties—Golkar, the Moslem-based United Development Party (PPP) and the broadly nationalist, Christian-based Indonesian Democratic Party (PDI), which has made much of its past association with the populist former President Sukarno.

This small two-party rump is officially cultivated, in part to offset criticism that elections are stage-managed *affairs* which merely endorse the ruling military elite without offering real political choice. The charges are hard to deny, but the rump at least ensures the illusion of board party consensus in the legislature, an illusion which is important for the Government.

Aceh's fiery sectarian traditions often seem outdated in this modern state, 90 per cent Moslem, which increasingly portrays itself as secular and humanist.

But the Government has made some progress in this former sultanate, which in earlier centuries beat off British, Portuguese and Dutch advances but now enjoys special semi-autonomous status in matters of religion, education and culture.

The bid to bring Aceh into the mainstream has been stepped up as the province has become an important source of oil and gas. Last year revenues from its fields off Lhokseumawe accounted for an estimated 15 per cent of Indonesia's gross national product. Foreign companies have also benefited.



Mobil Oil of the US, for example, is said to derive a quarter of its total worldwide profits from its Aceh operations. However, for local Achinese there are as yet few downstream industries, a major source of concern.

For many officials a heavy defeat in Aceh would be an uncomfortable throwback to a more turbulent period in the region's history.

In what is a clearly calculated move, Golkar has actively courted Mr Daud Bereueh, the province's first military governor who in the early days of Indonesian independence declared a separate Islamic state in Aceh, leading his Darul Islam movement in a brief but bloody conflict with Jakarta. Mr Daud, now a bedridden 87-year-old, is seen to command much support across this largely rural-based constituency.

Aceh's electoral record is a measure of the uphill task facing the government party. No province has shown such dissent, having voted against Golkar in both the last two elections in 1977 and 1982. Golkar won those national counts hands-down and looks all but assured of victory again. But much to official dismay, Aceh is also showing form, with every possibility the Moslem PPP will run out winners in the province's 10 contested seats.

Anywhere but Aceh this might seem surprising, given PPP's disarray at the national level. Led by the little-liked Mr John Naro, the party has faced internal disputes and the mass defection of its largest constituent member — the Java-based Moslem group Nadhlatul Ulama, which has withdrawn from formal politics, probably to the advantage of Golkar. The UN, however, resists Golker's claim that its action constitutes an endorsement of the ruling party.

But here, perhaps more than other parts of this huge sprawling nation, politics have always seemed a product of local factors, not the mainstream. Fervently Islamic, ethnically homogenous and economically robust, Aceh has a proud 700-year history of independence. Aceh was *after all the last part* of the archipelago to fall to the Dutch in 1911. Some die-hards contend it was never colonised.

Today's grievances — both religious and regional — often seem to hark back to this grand past. Last year's closure of the freeport at Sabang Island proved a particularly sensitive issue. This ancient entrepot, latterly the site of smuggling *and bureaucratic infighting*, was once the sultanate's eyes on the world.

In the long run what happens in this election will probably seem nothing more than a rear-guard action in this so-called "verandah of Mecca" where, increasingly, Islam is not the only social and political touchstone.

Twenty years of development under President Suharto has already made its mark. Some Moslem girls still cover their heads, but it is the exception not the rule. The ban on alcohol, granted as part of the settlement with Mr Davd, is overlooked in new hotels trying to attract tourists to this remote beautiful *location*.

Professor Ibrahim Hassan, the popular governor and a devout Moslem, is backing the trend. "For too long Aceh has been seen as the last word in stupidity and fanaticism. In the seventeeth century we were the fifth largest state in the Islamic world. Now we struggle to be the fifth region of Indonesia."

PLO calls for Egypt return to 'Arab fold'

MR FAROUQ KADDOUMI, the Palestine Liberation Organisation spokesman on foreign affairs, yesterday called for international efforts to bring Egypt back into the Arab fold but said Cairo's Camp David accords with Israel and the US should be cancelled first, Reuters reports from Algiers.

Mr Kaddoumi, presenting the PLO's political report on the third day of a meeting of its parliament-in-exile, also insisted on special relations with Jordan, calling for a confederation of two independent states – *Jordan and Palestine*.

He told the 426-member Palestine National Council, the PLO's highest decision-making body, that a Middle East peace conference should have full powers of arbitration.

The PLO has opposed Washington's position that the proposed UN-sponsored conference should merely be a prelude to bilateral talks between parties in the Arab-Israeli conflict.

Mr Kaddoumi urged a strengthening of the 21-member Tunis-based Arab League, from which Egypt was suspended after its 1979 peace treaty with Israel.

He said: "The challenges of modern times demand efforts to end the effects *of Camp David and bring* Egypt back into its proper place in the Arab world."

The PLO's relations with Egypt and Jordan have been sensitive topics hotly debated in a week of preparatory talks between PLO factions before the 18th PNC opened.

The *PLO* executive committee – the 10-man inner cabinet of Palestinian leader Mr Yasser Arafat – this week cancelled a 1985 accord with Jordan, which called for a joint PLO-Jordanian delegation to a peace conference and the setting up of a Jordanian-Palestinian confederation.

A draft resolution to be presented to the PNC calls for an independent PLO delegation to any peace conference.

Radical Syrian-based groups, who boycotted the last PNC session in 1984 but are taking part this time in a demonstration of Palestinian unity after years of bitter divisions, demanded the cutting of ties with *Egypt as a condition of their attendance*.

Mr George Habash, leader of the Marxist Popular Front for the Liberation of Palestine, said on Monday that his Damascus-based group had accepted a compromise.

This essentially *deferred* a decision on the issue, leaving a new executive committee to be elected by the PNC to implement previous Arab summit and PNC decisions imposing a freeze on contact with Egypt while the 1978 Camp David accords were in force.

On relations with Syria, Mr Kaddoumi said: "It is regrettable to see that PLO-Syrian relations have reached such a low point." He emphasised, however, Syria's importance as an Arab state bordering Israel and said relations could be improved.

Syrian-PLO relations have been embittered by the long-running "Camps War" in Lebanon, during which Damascus-backed Shi'ite *Amal militia have* besieged Palestinian refugee camps.

Mr Kaddoumi said the future of the PLO looked brighter than at the last PNC held in Amman in 1984.

Egypt, EEC sign accord

EGYPT and the European Economic Community are set to sign a $500m, five-year agreement, substantially increasing Western Europe's aid to the most populous Arab country, Reuters reports from Cairo.

Under their third financial protocol, covering 1987 to 1992, the EEC will give Egypt grant aid of Ecu 200m ($228m), compared with Ecu 126m in the five years ending last December.

Cairo will also receive Ecu 249m in loans from the European Investment Bank, compared with Ecu 150m under the previous protocol, EEC officials said.

The protocol is due to be signed in Brussels next Tuesday and an EEC team will discuss project details in Cairo by September, they added.

The EEC also has a food aid programme in Egypt worth about $25m a year.

Peres says Israel will continue peace moves

MR SHIMON Peres, the Israeli Prime Minister, said *PLO* Chairman Yassir Arafat's reconciliation with Palestinian hardliners will not foil moves toward a Middle East peace conference, AP reports from Tel Aviv.

"We will advance towards peace without Arafat," the liberal newspaper Haaretz quoted Mr Peres as telling members of his Labor Party.

"We will go on seeking ways to talk with Jordan, with residents of the occupied territories and other neighbours in the Middle East. The chances for peace have grown," he said.

The Palestine National Council, the Palestinians' parliament-in-exile meeting in Algiers, on Tuesday abrogated an agreement with Jordan pledging PLO participation in peace talks with Israel.

Arafat also reconciled with two hardline guerrilla groups after a bitter four-year dispute and declared the PLO would "stand together, united, until the final liberation of Palestine."

The new unity displayed in Algiers could, however, undermine efforts to find Palestinian representatives to negotiate with Israel.

A second key stumbling block to convening a peace conference is the opposition of *Prime Minister* Yitzhak Shamir, who has said Israel's enemies would use such a forum to force the Jewish state to make territorial concessions.

Israel Army Radio reported that Mr Peres would bring his proposal to the Government within eight weeks.

The long-expected showdown between the two leaders could bring down the fragile coalition Government established after inconclusive elections in September 1984.

Zimbabwe to host meeting

Information Ministers of the 101-nation Non-Aligned Movement are to confer in Harare in June, the Zimbabwe Government announced yesterday, Reuter reports from Harare.

Minister of Information, Dr Nathan Shamuyarira, said in a statement he expected 3,000 delegates, officials and journalists for the week-long meeeting on June 8 at which member states will co-ordinate media and communications issues and formulate ways for better dialogue between each other.

Also to be discussed would be the implementation of a "new international information and communications order," Mr Shamuyarira said.

Exponents of the proposal argue that Western media, chiefly the major news agencies, report negatively on the Third World and are "tools of Western capitalism".

AMERICAN NEWS

Secret army account linked to Iran arms sales

BY LIONEL BARBER IN WASHINGTON

THE PENTAGON has admitted that a secret army unit, disbanded in 1983, opened an unauthorised Swiss bank account which may later have been used illegally to finance arms shipments to the Nicaraguan Contra rebels.

A senior Pentagon official said evidence suggested that Lt Col Oliver North and former Maj Gen Richard Secord—two central figures in the Iran scandal—were among those who had access to the account at Credit Suisse bank.

The disclosure could provide clues to the central mystery in the Iran-Contra affair: how were milloins of dollars of profits from US arms sales to Iran diverted via Swiss banks to the Contra rebels.

It could also prove embarrassing for Mr Caspar Weinberger, the US Defence Secretary, who has distanced himself vigorously from the scandal by flatly stating he opposed US arms sales to Iran.

The army unit—called Yellow Fruit—operated as a front company performing counter-intelligence tasks in Central America but was shut down in 1983 following allegations of financial misconduct against several members.

A Pentagon official said that the Swiss bank account was "unauthorised and highly unusual." Its existence was overlooked during a subsequent army investigation and in the face of persistent inquiries by CBS News. Pressure from American reporters led to a background briefing on Tuesday afternoon by a senior Pentagon official who declined to be named.

CBS reported that \$2.5m was withdrawn from the secret account one day in 1985 and \$75,000 was used to charter a freighter that carried arms to the rebels—at a time when direct and indirect US aid was banned by Congress. It is not clear if the money was from US sources but CBS reported that the names of Lt-Col North and Mr Secord appeared on the account.

The joint congressional select committees—due to begin public hearings in two weeks' time—have been blocked from uncovering the Iran-Contra money trail by Swiss banking laws and Fifth Amendment rights against self-incrimination.

The Senate select committee is considering offering limited immunity against prosecution to Mr Secord which would compel him to testify. The immunity would mean Mr Lawrence Walsh, the court-appointed special prosecutor pursuing a criminal investigation into the Iran scandal, would have to find evidence independent of Mr Secord's testimony to prepare an indictment against him.

Granting Mr Secord even such limited immunity would be a climbdown for the committee—which only last month was threatening to file contempt procedings because of Mr Secord's failure to testify or produce Swiss bank records.

Senator Howell Heflin, the Alabama Democrat and former judge, said "one of the essential elements is the money trail and if you can't find the money trail without Secord, then the sentiment will be to grant him immunity."

Durable goods orders up

NEW ORDERS to US manufacturers for durable goods rose by \$3.43bn, or 3.4 per cent, in March to \$105.37bn (£64.6bn), the US Commerce Department said yesterday, Reuter reports from Washington.

Excluding defence, orders rose 0.8 per cent compared with a revised February increase of 4.5 per cent.

In February, durable goods orders rose by a revised 6.7 per cent, instead of the reported 6 per cent. Durables excluding defence were first reported as having risen 3.8 per cent in February.

Defence capital goods orders rose in March by 38.2 per cent to \$9.67bn, following a 48.9 per cent rise in February.

Non-defence capital goods orders rose by 2.3 per cent in March, to \$27.53 bn, having increased 0.5 per cent in March, the Department said.

Sarney pressed to quell inflation

By Ivo Dawnay in Rio de Janeiro

PRESSURE is mounting on President José Sarney of Brazil to unveil a new economic programme and begin a long-awaited shuffle of his Cabinet.

Yesterday eight state governors were concluding a two-day meeting in the powerful mining state of Minas Gerais, with renewed demands for action on the economy and a general ministerial reform.

The tone of the meeting was markedly less combative than that held in Sao Paulo this month, when the country's three most powerful state governors, whose territories yield 80 per cent of Brazil's gross domestic product, implicitly demanded the resignation of Mr Dilson Funaro, the Finance Minister.

But the implication of the talks was that rapid action to tackle inflation and soaring interest rates can no longer be delayed. Governors at the meeting represented a broad cross-section of the stronger element in the governing coalition, the Democratic Movement Party, uniting the richer Rio de Janeiro states of São Paulo, and Minas Gerais with the poorer states Mato Grosso do Sul, Piauí, Alagoas, Pará and Amazonas.

In fact a big factor behind the meeting is the governor's efforts to ensure that their personal choices for ministerial office were favoured, so as to promote their interests in the federal government.

A ministerial shuffle has been anticipated since the middle of last month, when the new governors took office. It has been brought to a head by the wish of Mr Marco Maciel, the president's chief of staff, to quit the government.

He has been outmanoeuvred in the government coalition since his Liberal Front Party lost much ground to its coalition partner in the November Congressional and state elections.

The Left of the Democratic Movement is calling for an end to the coalition. The party establishment and the president favour a continuation of the pact, although the party has a clear majority in both houses of Congress and does not need Liberal Front support.

Tim Coone reports on the outlook for Argentina after this week's military rebellions

Alfonsin awaits the verdict of the courts

THE Argentine Government's claim yesterday of "total normality at all the military bases in the country" is more an expression of optimism than an accurate description of the armed forces' mood following mutinies at three army units last week and dozens of rumours of unrest elsewhere.

The mutineers have surrendered and their leaders are under arrest; now the Government is feeling its way towards accommodating some of their demands to prevent further recurrence of the scenes which have so shaken the country.

Although President Raul Alfonsin has to act cautiously, he is assured of the full political support of the opposition and the powerful trades union movement. It is also being emphasised that he enjoys respect within the armed forces and can count on the loyalty of the bulk of the senior officer corps.

Indeed, one of the more far reaching problems created by the mutinies is that the chain of command within the armed forces has broken down and needs to be re-established—hence the large scale restructuring of the army high command.

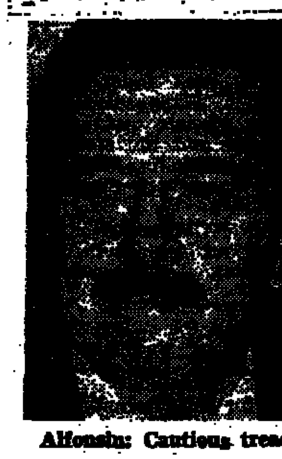
A resolution of the crisis will most likely hinge around a definition of a judicial/military term known as Obediencia Debida (obeying superior orders). This is used as an argument in defence of middle-ranking and junior officers in the armed forces and police, claiming that they were simply following orders and therefore can not be held guilty for the human rights abuses during the former military juntas between 1976 and 1983. A close presidential aide, Mr Marcelo Stubrin, said: "The mood within the armed forces will remain traumatic until the degrees of responsibility for the repression are clearly defined under the term Obediencia debida."

Over 9,000 people disappeared following arrest by security forces during military rule. The human rights trials now taking place are attempting to discover those directly and indirectly responsible for the disappearances and other abuses such as torture, rape and robbery.

The heads of the juntas responsible for organising the "dirty war" were imprisoned in 1985. The trials now investigating the lower levels of command have led to the present unrest in the barracks. The mutinies of the past week have been organised by middle and lower ranking officers whose principal complaint is that the investigations of their ranks in the officer corps should be stopped as the organisers of the "dirty war" are already in jail. Some 300 police and military officers still face charges in the courts, and several of them only recently came within the judicial net as the time limit for prosecutions expired.

A solution to the conflict now hinges on a Supreme Court ruling which is expected "in the next few weeks," according to Mr Stubrin. The court is to rule on an appeal against the prison sentences passed on three middle ranking police officers last year for their part in the "dirty war."

In the meantime, hearings in three federal courts have been suspended on the instructions of the State Prosecutor and the Supreme Court is expected to request suspension of human rights hearings in the remaining federal courts until the appeal decision is known. The Government has thus gained a breathing space of several weeks.



Alfonsin: Cautious tread

The final ruling is expected to ratify prosecution and punishment where clear evidence exists that officers were in a position to question or revise orders from above and in any instance where there is proof that the accused committed a homicide or torture.

The mutineers' demands went much further, however. The Salta mutiny on Tuesday included demands for a right to nominate the new chief of staff of the army and an amnesty for those imprisoned and still awaiting trial on human rights charges. After accepting the surrender of the "Easter rebellion" mutineers, President Alfonsin said that no agreement or deal was made and that it would have been "a demented act" to negotiate the nomination of the new chief of staff with the rebels.

The rebels themselves were a mixed bunch. According to Mr Stubrin: "They include fascists and totalitarians who still have a presence within the army. But there are also soldiers who fought in the Malvinas and who resent the chiefs of staff who were responsible for the disorganisation and disaster of the war. They have been manipulated by the old military cliques, the 'golpistas', and backed by their economic and political influence to create this crisis." The confused and contradictory demands of the rebels at the infantry school in Buenos Aires confirm Mr Stubrin's analysis.

The Government's aim is therefore clearly to try and settle the crisis within the army by separating the "golpistas" within its ranks from the professional soldiers who have a clean track record, and place generals at the head of the force that can obtain the respect of the junior ranks.

Mr Stubrin said that the present restructuring of the army high command is aimed solely at replacing those generals "that lost control and command of their troops" during the rebellion. In some circles it is interpreted as a concession to the rebels, in others as an inevitable result of the crisis.

One further issue remains to be resolved, namely what it to be done with the rebel leader. President Alfonsin said that he regarded the insubordination of the officers as "mutinous" rather than "rebellious." The distinction is that the former is tried by military court, the latter by a civilian one which is likely to impose a harsher penalty.

Judge Alberto Piotti, who is pressing sedition charges against the Easter weekend rebels, disagrees with the President and says that military and civil trials will be held in tandem. Colonel Luis Pedrazzini, chief of the infantry school which was seized by the rebels, also seems to agree. In an interview published yesterday he said: "The rebellion was an attempt to take power. What they did was a rebellion against the constitutional order and despite their denials, it went against the wish of the majority to preserve the system."

The Government will clearly hope that it can find more Colonel Pedrazzinis to speak their minds in the coming weeks.

US firm on short-range missile limits

BY WILLIAM DULLFORCE IN GENEVA

THE US is sticking to its position that a treaty to eliminate intermediate nuclear forces (INF) from Europe must include an agreement to limit globally short-range nuclear systems "at equal levels," Mr Maynard Glitman, the chief US negotiator on INF, said here yesterday.

His statement, issued the day before the resumption of INF negotiations, contrasts with a declaration on Tuesday by Mr Alexei Obuchov, the chief Soviet negotiator, that the Soviet Union would agree to abolish all its short-range missiles "within a few months or within a year" of the signing of a treaty on medium-range weapons.

A nine-to-one Soviet superiority in short-range nuclear systems initially caused reservations among the European allies of the US about an agreement on medium-range weapons that would remove US Pershing II and cruise missiles from Europe.

When Mr Mikhail Gorbachev, the Soviet leader, last week offered to do away with all Soviet short-range nuclear systems, West German officials said such an accord should be made contingent on reductions in conventional forces, in which the Warsaw Pact has a substantial advantage.

Until Mr Gorbachev made his offer, the US had been insisting on the right to build up Nato's short-range nuclear strength in Europe to equality with the Soviet Union, at an agreed level. Mr Glitman's statement yesterday indicated that the US has not changed from this position.

Elaborating in answer to reporters' questions, Mr Glitman said it was important for Nato to have "continued deterrence"— the nuclear capacity to persuade the Soviet Union not to exploit its preponderance in conventional forces.

In short-range nuclear systems, "our emphasis is on the equality point," Mr Glitman said. But he added, the question was now under discussion in Nato, which should "come up with a response which will effectively say how this issue should be handled."

The implication of his remarks is that the US will not change position in Geneva until Nato has agreed on its answer to Mr Gorbachev's offer on short-range missiles.

Other points emphasised by Mr Glitman were that an INF treaty had to provide for a "comprehensive and effective verification regime" and that US efforts would aim to produce a "sound and durable" agreement, not to meet a timetable. On Tuesday Mr Obuchov said he had instructions to conclude a treaty this year.

Difficult issues remained, Mr Glitman said, but he saw "ground for optimism about the prospects for reaching an INF agreement."

World Bank cautious on Brazil loans

By Our Brazil Correspondent

A TEAM of World Bank analysts has arrived in Brazil to review progress on energy and agricultural projects and assess the appropriateness of further loans, possibly totalling about \$3bn (£1.84bn).

But experts are dismissing widespread speculation in Brazil that the World Bank could become a face-saving alternative for the International Monetary Fund in the country's current dispute with commercial creditor banks over its \$113bn foreign debts.

World Bank loans are tied to specific projects and often involve greater conditionality than those of the IMF.

WORLD TRADE NEWS

Baldrige hits at Chinese imbalance

By Robert Thomson in Peking

CHINA and the US swapped complaints yesterday about trade restraint and investment on the opening day of bilateral talks in Peking which have highlighted the differences between the countries.

Mr Malcolm Baldrige, US Secretary of Commerce, said China appeared to be introducing import restrictions that would "dampen" trade. He said "disturbing" US figures showed that China's exports to the US rose 24 per cent last year, while US exports to China fell 19 per cent.

At the heart of the countries' trade debate is an inability to agree on which has the trade surplus. China claims the US has had a surplus in 13 out of the past 15 years, but the US maintains the Chinese figures are wrong because they do not include goods trans-shipped through Hong Kong.

Mr Baldrige applauded the measures taken by China to improve the investment climate, but emphasised that most joint ventures were still plagued by "limited access to the domestic market, inability to remit profits easily and an uncertain legal and regulatory climate."

He also suggested that investors must be assured of "underlying stability," an apparent reference to China's recent political instability.

Zheng Tuobin, China's Minister for Foreign Economic Relations and Trade, produced a list of trade problems, including US restrictions on textile exports, US reluctance to include Chinese exports under the generalised system of preference, and restrictions on technology transfer.

Textile exports are a sensitive question, as China's exports to the US jumped 65 per cent last year, and the US is likely to push for an increase in quotas during negotiations for a new bilateral textile agreement later this year.

Peking is applying extra pressure on the US on technology because Japan, China's largest trading partner, has been reluctant to transfer sophisticated equipment.

Mr Baldrige countered this by suggesting that deficiencies in Chinese protection for intellectual property was a "significant impediment" to technology transfer.

US officials discouraged by trade talks in Tokyo

BY CARLA RAPOPORT IN TOKYO

INTENSIVE TRADE talks in Tokyo between the US and Japan have yielded no concrete results according to Mr Clayton Yeutter, the US Trade Representative, and Mr Richard Lyng, Secretary for Agriculture.

As a result, the two cabinet members agreed that the threat of protectionist legislation from Congress against Japan was "a very real one."

"I have been given no encouraging words and go home considerably disappointed," said Mr Lyng, referring to his attempts to seek liberalisation of Japan's agricultural import policies.

"I have not been able to detect any understanding from the Japanese leadership on the issue of wider access for US rice, beef and other agricultural products."

Mr Yeutter echoed Mr Lyng's sentiments, based on his wider trade talks with the Japanese. He insisted, however, that the recent punitive tariffs imposed on Japanese exports were "taken in sorrow and only as as a last resort."

Mr Yeutter and Mr Hajime Tamura, the Japanese International Trade and Industry Minister (Miti) agreed that talks on alleged Japanese violations of the semiconductor agreement, which sparked off the US sanctions, would begin again next week or the following week.

Miti officials said dates for the talks, which would take place in Washington, would be set this weekend at a meeting of Western trade ministers in Western Japan.

Mr Tamura pointed out that the April data on semiconductor markets would be available and he hoped that this would be persuasive and that the semiconductor problem could soon be resolved."

The Japanese officials stressed that Japan was willing to discuss the rice issue at the Uruguay round of multilateral trade talks, in addition to other agricultural issues. Even so, the government refuses to discuss its ban on rice imports on a bilateral basis with the US.

Japan offered another small conciliatory gesture to the US, in the form of widened access to Motorola of the US which is moving into the mobile telecommunications market in Japan. The Japanese consortium which plans to use Motorola's equipment had been restricted to operating in Western Japan, while the competing Japanese company received the lucrative Tokyo area.

Yesterday, however, the government announced that the consortium using Motorola's equipment would also be licensed to operate in northern Japan. This was not seen as a big advance, as the north is sparsely populated.

On the sensitive question of Japan's trade imbalance with the US, Mr Yeutter said he was convinced that the numbers would begin to improve. In volume terms, he said, the trade pictures was already improving, but not in terms of value.

Eliminating the trade imbalance, he said, required more than the announcement of market-opening measures or moves to boost domestic demand. "It requires action. So far, we are disappointed in regards to the implementation of these things," he said.

EEC to warn Japan on tariffs

BY WILLIAM DAWKINS IN BRUSSELS

MR WILLY DE CLERCQ, the European External Trade Commissioner, is due to warn Japan at a meeting in Tokyo tomorrow that the EEC is ready if necessary to impose higher import taxes on a range of Japanese goods.

He is expected to arrive in Tokyo tomorrow for three days of informal talks with Mr Hajime Tamura, the Japanese International Trade and Industry Minister, Mr Clayton Yeutter, the US trade representative and Mrs Pat Carney, the Canadian Trade Minister. The purpose is to exchange views on the current round of General Agreement on Tariffs and Trade (Gatt) talks about services and broad trade issues.

However, Commission officials said yesterday that Mr de Clercq would hold separate private talks with Mr Tamura, during which he would tell his Japanese counterpart that the EEC was considering measures to stop Japanese goods being dumped in the Community as a follow-up to the punitive tariffs on \$300m-worth of Japanese exports announced by the US last week.

These might include higher EEC levies when imports of a product reach a certain level. But officials stressed that the Commission did not want to act until it saw evidence that European companies were being damaged by Japanese goods being diverted from the US.

The EEC, they pointed out, did not want to appear too loyal to Washington in this dispute because it concerns the breakdown of an accord between Tokyo and the US over trade in semiconductors, an alliance which the EEC argues has been inconsistent with Gatt rules.

Mr de Clerq is expected to warn Mr Tamura that the EEC would not wish to see Japanese companies exploiting the lower industrial tariffs now being charged in Spain and Portugal as a result of their admission to the Community. These could benefit Japanese exporters by up to \$1.2bn per year, a sales advantage the Community is in no mood to let slip by for nothing.

Mr de Clerq will also explain the Commission's thinking behind a controversial draft proposal to extend anti-dumping duties to Japanese products made in the EEC from a high proportion of cheap imported parts. The scheme has enraged Japanese industrialists, but looks increasingly likely to be adopted by member states during the summer.

Britain was initially cautious about the plan—designed to stop exporters from avoiding anti-dumping duties by setting up EEC assembly plants—because of its possible impact on foreign investment. But London is now understood to be more supportive of the Commission's scheme after Tokyo's recent decision to refuse the UK company Cable and Wireless a significant stake in Japan's telecommunications market.

In a separate move, seven leading Japanese microwave oven makers yesterday denied allegations that their EEC xports were damaging Community competitors. The companies, including Sharp, Toshiba and Matsushita, were giving evidence at a Commission hearing for an anti-dumping inquiry.

Approval given to transatlantic cable plan

By David Thomas

THE PLAN by Nynex, the large New York telephone operating company, to build two transatlantic telecommunications cables with Cable and Wireless, the UK telecommunications group, has been approved by the Federal Communications Commission, the US regulatory authority.

Nynex and Cable and Wireless are intending to build two transatlantic cables at a cost of \$600m (£368m) to start operating in 1989 and 1992. The cables would cater for traffic over private leased lines, typically used by large companies, and are expected to lead to much lower international charges.

The cables would compete with the established transatlantic operators, American Telephone and Telegraph and British Telecom. Nynex's participation is crucial to the project's success because its corporate customers in New York are likely to be big users of the cables.

The project is a key part of Cable and Wireless' ambitious plan to construct a private global telecommunications network, using optical fibres to link key centres.

Last year, Nynex offered to acquire Tel-Optik, a US company which was Cable and Wireless original partner.

However, Nynex had first to secure the agreement of the US authorities, because regional operating companies such as Nynex are prohibited from providing international traffic under the terms of the break-up of the Bell system in 1984.

Although the FCC has given its permission, Nynex must still seek the approval of the US courts. Nynex said yesterday it would ask the courts for a waiver within the next week.

Finland wins order

RAUMA-Repola Oy of Finland has won a FM 240m (£33.5m) order from the Soviet Union to supply machinery for six chipboard mills, AP-DJ reports. The company expects to receive additional orders amounting to the same sum over the next two years.

The metals and forestry group said the equipment would be delivered over the next three years.

Chris Sherwell reports on an A\$4.3bn contract

Shipyards join the battle for Australian submarine

THE international battle for a multi-billion dollar contract to build a new class of submarine for the Australian navy has reached a crucial point as a final decision becomes imminent.

Speculation has grown intense as the Cabinet prepares to consider the Australian military's submissions, based on a detailed scrutiny of competing proposals from short-listed West German and Swedish consortia.

The contract is for six and possibly eight diesel electric-powered submarines to be built in Australia. It represents one of the most complex and costly defence procurement projects the country has ever undertaken.

The submarines replace six Oberon-class vessels and form part of a wider defence purchasing programme embracing frigates, aircraft and other systems. The overall aim is a more self-reliant defence system.

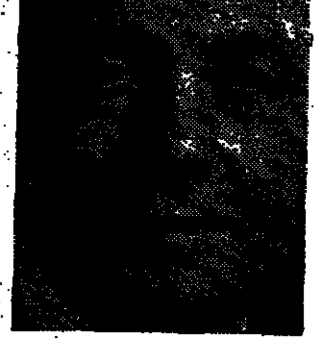
Mr Kim Beazley, the Defence Minister, has received the recommendation of the defence force committee which conducted the final evaluation and the matter is expected to come before Cabinet shortly. A decision is expected next month.

It is perhaps no coincidence that Mr Manfred Woerner, the West German Defence Minister, has arrived in Australia for talks with Mr Beazley, accompanied by German naval officials. He is expected to press hard for the German consortium's Type 2000 submarine.

The consortium, known as Australian Marine Systems, comprises submarine builder Howaldtswerke Deutsche Werft (HDW), designer Ingenieurkontor Lubeck (IKL), and the trading company Ferrostaal. Its Australian partner is Eglo Engineering.

Senior Swedish government ministers and officials have also visited the country in support of the rival Australian Submarine Corporation, the consortium dominated by the Swedish state company Kockums, which is offering its Type 471 submarine.

The consortium includes a subsidiary of Chicago Bridge and Iron, which has built hull sections for US submarines; Wormald International, an Australian-based multinational company; and the Australian Industry Development Corporation, a government-owned development bank.



Dr Woerner: pressing hard for Type 2000

One of the losers in the campaign to be short-listed was Britain's Vickers Shipbuilding and Engineering. Bitterly disappointed, the group's only chance now lies in a decision by the Australian Government to defer the project, an unlikely development.

Apart from the consortia themselves, a number of other interests have sought to influence the outcome of the submarine contract battle, not least the yards which stand to conduct most of the construction work.

This part of the fight has pitched Adelaide in South Australia against Newcastle in New South Wales.

It is generally believed that both consortia would prefer Adelaide, but that has not stopped New South Wales stepping up its campaign, notably by offering unusual no-strike agreements by the workforce and other incentives.

A New South Wales loss would not be disastrous, because the state could yet pick up the even more lucrative project to build eight light patrol frigates, for which tenders have yet to be called.

In any case, some proportion of the submarine work is likely to be spread around the country, since the project requires that the submarines have at least 60 per cent local content.

One of the more important questions has focused on the escalating price of the project. This is now put at A\$4.3bn (£1.9bn) dramatically higher than the originally estimated A\$2.6bn.

The West Germans are understood to be offering a fixed price contract.

For their part the Swedes, who at one point sought to build the first submarine at home, are said to have been asked for guarantees against an explosion of costs if they cannot offer a fixed-price contract.

Also in HDW's favour is the fact that it has built more submarines than Kockums and, unlike the Swedish company, has done so in several foreign countries.

Although many believe the Swedes are fractionally ahead, the decision in fact rests on far more than technicalities. Indeed, it is of such paramount importance that the Australian Government, armed forces and manufacturers get this delicate decision right, that many other considerations are involved.

That is why the Ministries of Industry and Employment and the Treasury have all been closely involved, and why the Cabinet must make the final choice. Though it is fundamentally a commercial decision, it is also a highly political one.

To some analysts, therefore, the West Germans must also remain favoured. But there are wild cards: the West Germans could face problems because HDW illegally sold naval blueprints to South Africa.

Reports from India also suggest that the recent resignation of the Defence Minister related to his inquiry into a West German submarine deal in 1983.

Australian officials indicate that they have received adequate assurances on the South African episode. Sweden has meanwhile had its own share of embarrassment recently because sales of its Bofors gun have apparently been illegally diverted through Singapore.

Compared with the battle to build the vessels, the competition to supply the submarines' combat systems is a quiet affair and widely forecast to go in favour of Rockwell International of the US.

The company is linked with Singer of the US, Thomson CSF of France and Computer Sciences of Australia. Their opponents are Hollandse Signaal Apparaten of the Netherlands.

UK NEWS

MERCHANT BANK FILLS TOP POST AFTER THREE-MONTH SEARCH

Morgan Grenfell names chief executive

BY DAVID LASCELLES, BANKING EDITOR

MORGAN GRENFELL, the City of London merchant bank, last night signed up Mr John Craven as its new chief executive, and also acquired his investment banking company, Phoenix Securities.

Mr Craven will take over on May 5, succeeding Mr Christopher Reeves who resigned during the *Guinness affair*.

The terms of the acquisition are not being disclosed. Phoenix, one of the City's most successful private investment banking operations, earned £2.5m before tax last year and has a net worth of about £3m.

Mr Craven, who is 46, said last night that Morgan's image had suffered from the Guinness and insider dealing affairs, and that there was a morale problem.

"But my view is that Morgan has a depth and strength to overcome these problems. They will fade into history."

He declined to comment on how he will run the merchant banking group, but he will give himself two or three months to get to know the business.

Phoenix, which was jointly owned by Mr Craven and three colleagues, will become a subsidiary of Morgan and operate as a separate unit alongside Morgan's corporate finance department.

Last night's agreement provides for Chinese walls to protect the confidentiality of Phoenix's business and reassure its clients that their interests will not be affected by the firm's absorption into Morgan.

Mr Craven's colleagues at Phoenix approved the deal and will be staying on. Mr Craven, who was the largest shareholder, will become a non-executive director. Phoenix's staff of 19 will remain in its Bishopsgate offices, in the City of London.

The choise of Mr Craven, who was approached by Morgan through an intermediary, ends a three-month hunt fo a successor to Mr Reeves. It brings to the chief executive position a man with wide City experience who worked for Warburgs, the City merchant bank, and for White Weld and Merrill Lynch, the US securities firms, before founding his own company in 1980.

In Phoenix, Morgan is acquiring a highly entrepreneurial company known for the range of its business contacts and its role in cementing many City liaisons. Since the Big Bang, Phoenix has broadened the rang of its business to include advisory work in the fund management and banking industries, and in foreign countries such as Australia and Canada.

It is acting as adviser to the trustees of Dome Petroleum's bond issues in the proposed takeover by Amoco.

Morgan is financing the acquisition with an issue of convertible unsecured loan stock. Because the issue amounts to less than 5 per cent of Morgan's total stock, the exact amount does not have to be disclosed – 5 per cent is equivalent to about £17m.

London and Dublin agree need for top security group

BY HUGH CARNEGY IN DUBLIN

THE FIRST Anglo-Irish ministerial meeting since Fianna Fail returned to office in Dublin last month was described as very successful by Mr Tom King, Northern Ireland Secretary, in Belfast yesterday.

He and Mr Brian Lenihan, the Irish Foreign Minister, co-chairman with Mr King of the meeting, appear to have struck up a good rapport, helping to dispel worries that the Anglo-Irish agreement, which gives Dublin a say in the affairs of Ulster, might be damaged by Fianna Fail's return to power. The party was critical of the agreement when it was in opposition.

Action to improve security along the border between Northern Ireland and the Irish Republic and to combat employment discrimination against Roman Catholics in Northern Ireland were the main issues discussed yesterday.

The Rev Ian Paisley, his son Kyle, and Mr Peter Robinson, deputy leader of Mr Paisley's Democratic Unionist Party, were detained by police when a group of about 50 of their supporters tried to cut through barbed wire defences outside Stormont Castle in Belfast, where the meeting took place. They were later released.

Mr Lenihan said on his return to Dublin that the meeting agreed to set up a "tight, top-level security group" which would meet regularly to ensure the closest possible co-operation between security forces on either side of the border.

Cross-border security has been a priority of the conference since the signing of the agreement in 1985. Continuing high levels of terrorist activity and repeated calls for closer links between the two security forces show that co-operation has not reached the levels envisaged.

A joint statement said the meeting covered measures to promote equality in employment. The British Government is due to publish a white paper (policy document) based on a 1986 position which emphasised the need to translate the principle of fair employment into practice in the private as well as the public sector.

Mr Lenihan said the British side responded positively to proposals for interim measures insisting on proof of fair employment in companies tendering for all public sector contracts. Mr King said discrimination in employment could not be tolerated.

Protesting teachers draw back

By David Brindle

THE NATIONAL Union of Teachers (NUT) voted yesterday by a small majority to draw back from militant "no-cover" action which would have blatantly flouted the recent, government-imposed teacher's employment contract.

The move came after delegates to the NUT's conference were warned that refusal to provide cover for any teacher absence could prompt legal challenges and sequestration of the its funds.

Members of the union's national executive committee said a no-cover policy would be "suicidal" or a "potential disaster." Even so, the conference voted against it by a narrow majority.

The decision means that teachers should provide three-day cover under the terms of the strict work-to-contract to be undertaken from next week by members of both the NUT and the National Association of Schoolmasters/Union of Women Teachers. (NAS/UWT).

The NAS/UWT conference yesterday followed the NUT in voting unanimously for more selective strikes next term in protest at the Government's imposition of the contract, coupled with a pay award adding an average 16.4 per cent to salaries in two stages, and its abolition of direct pay negotiations.

Mr Fred Smithies, the NAS/UWT general secretary, said the two unions would try to ensure that disruption did not greatly affect pupils preparing for public examinations. However, it would be impossible to spare them entirely.

"I have always had to accept that, during the run-up to the examinations, if there is strike action in the country's schools there will, regrettably, be some impact on pupils in exam classes," Mr Smithies said.

Stronger top tier for Takeover Panel

BY MIKE SMITH

THE BANK of England is to strengthen the top management structure of the Takeover Panel after the decisions, announced yesterday, by the chairman and deputy chairman of the mergers watchdog to retire.

Sir Jasper Hollom and Mr Robin Stormonth-Darling will be replaced by three men when they step down at the end of next month. Mr Robert Alexander, the City of London barrister who represented the panel in a Court of Appeal case last November, is to take over the chairmanship. His deputies will be Mr John Hull, a former director-general of the Panel, and Sir Philip Shelbourne, chairman of Britoil.

The Bank also announced the appointment yesterday of Sir Philip and Professor Alan Budd of the London Business School as directors of the Securities and Investment Board (SIB), the new City regulatory authority. They will replace Mr Stormonth-Darling and Sir Martin Jacomb, deputy chairman of the SIB and chairman of Barclays de Zoete Wedd. Sir Jasper, 70, is retiring after seven years as panel chairman.

Mr Paul Channon, Trade and Industry Secretary, is expected to recommend shortly stronger links between the panel and the new self-regulatory organisations. After a three-month review by the Department of Trade and Industry the panel is, however, likely to retain its non-statutory status.

Reuters launches database

BY RAYMOND SNODDY

REUTERS, the international news and information organisation, yesterday launched a service which combines access to the latest news with an historical database on information on 190 countries.

It is the first time Reuters has offered a historical database service news, other than financial information.

The Country Reports service will give on-line access to instant news on existing Reuters monitor screens, and dial-up access to the database where all Reuters stories from the past 90 days will be stored.

The service supplies all Reuters' news on each country, including commodity, money, shipping, energy and capital markets.

For 50 countries there will also be background material on the economy and power structure and biographies of leading politicians and businessmen.

Insurance brokers told to reveal commission on request

BY CLIVE WOLMAN

INSURANCE BROKERS will, if asked, have to tell a customer how much commission they receive for recommending a unit trust or a life insurance policy, says an amendment introduced yesterday to the draft rule-book of the Securities and Investments Board (SIB).

The amendment is the most substantial in a series after criticisms published a month ago by Sir Gordon Borrie, Director-General of Fair Trading. The changes were announced yesterday as Mr Paul Channon, the Trade and Industry Secretary, laid a draft delegation order before Parliament which will designate the SIB as the approved City of London regulatory body.

The latest amendment means that although brokers will not have to volunteer how much commission they are getting, they will not be allowed to shield behind the industry agreement on maximum commissions if they are specifically asked by the customer.

The SIB has, however, made no amendments or concessions to the most central criticism of Sir Gordon's report, which was directed against the "polarisation" provisions of the SIB rules. These will normally prevent a bank or building society branch from selling its own unit trusts or life insurance if it is offering an independent advisory service to customers.

Another amendment introduced yesterday prohibits overseas investment firms not authorised to do business in Britain from seeking to sell life insurance or unit trusts over the telephone by making unsolicited "cold" calls to potential customers. A further restriction on overseas firms limits the type of advertising emanating from unauthorised firms in Britain or abroad that can be approved by an authorised firm.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
3rd qtr.	108.2	103.6	104	115.1	145.2	3,134	164.4
4th qtr.	108.4	103.6	106	116.7	177.7	3,182	163.2
1986							
1st qtr.	109.1	102.6	105	118.2	148.4	3,171	165.5
2nd qtr.	109.3	103.5	104	120.0	152.7	3,208	175.6
3rd qtr.	110.3	104.8	108	122.1	157.4	3,212	209.2
4th qtr.	110.9	107.4	112	124.8	166.6	3,143	213.0
August	111.3	104.4	105	122.0	155.2	3,219	201.1
September	110.7	105.2	109	122.2	158.7	3,192	206.4
October	111.6	106.8	107	123.2	164.7	3,166	212.8
November	111.2	107.5	108	125.4	182.1	3,145	215.2
December	110.5	107.9	121	125.8	222.2	3,119	210.9
1987							
January	110.3	105.3		122.3	157.4	3,118	210.3
February	112.6	107.6		126.9	153.4	3,073	207.1
March						3,043	210.6

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	112.4	103.2	112.6	103.5	15.6
1986							
1st qtr.	102.0	101.6	115.4	101.5	110.2	102.8	14.2
2nd qtr.	104.6	100.7	116.3	102.1	110.0	103.6	19.8
3rd qtr.	106.0	101.5	117.2	103.3	107.6	101.9	18.9
4th qtr.	108.3	103.4	115.7	105.7	115.9	104.7	15.3
August	106.4	100.5	118.5	102.0	107.0	102.0	16.6
September	106.2	102.2	116.7	104.0	107.0	102.9	19.4
October	107.4	103.8	116.4	105.0	113.0	105.9	19.3
November	109.6	103.0	115.9	106.9	117.0	107.0	15.8
December	108.0	103.5	114.8	107.9	118.0	103.0	10.7
1987							
January	106.4	102.1	116.6	105.0	107.0	104.0	12.3
February	107.9	104.3	118.6	106.0	112.0	105.0	17.6

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+632	+1,209	101.0	18.75
2nd qtr.	121.9	128.8	−1,651	−94	+772	102.6	19.29
3rd qtr.	122.6	138.5	−2,573	−931	+646	102.1	20.14
4th qtr.	130.5	142.4	−2,002	−756	+546	100.3	21.97
August	115.9	129.9	−1,382	−785	+159	102.8	18.93
September	126.2	133.3	−831	−184	+253	103.5	22.42
October	127.0	139.6	−715	−190	+225	101.5	21.99
November	132.8	146.7	−1,090	−304	+254	100.9	22.01
December	131.8	142.9	−887	−272	+256	100.1	21.92
1987							
1st qtr.							22.79
January	125.0	130.9	−587	+73	+271	100.2	21.95
February	137.3	137.5	−224	+376	+229	98.4	22.26
March							24.15

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,378	2,290	3,438	11.50
1986							
1st qtr.	4.1	21.4	19.4	+6,808	2,280	7,275	11.50
2nd qtr.	3.1	23.9	27.3	+6,455	1,423	7,739	10.00
3rd qtr.	5.9	20.2	15.4	+6,949	188	8,223	10.00
4th qtr.	7.6	15.3	14.1	+10,545	2,514	5,173	11.00
August	5.7	22.6	8.2	+2,752	452	2,063	10.00
September	6.6	24.3	17.3	+881	−671	2,579	10.00
October	6.3	19.1	14.5	+3,580	1,051	2,769	11.00
November	6.4	26.4	18.8	+3,847	160	2,625	11.00
December	10.1	6.3	9.1	+3,168	703	2,784	11.00
1987							
January	7.7	17.7	12.8	+1,697	456	2,096	11.00
February	6.1	16.2	17.1	+2,912	472	2,948	11.00
March							10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	128.4	143.4	380.8	342.3	1,313	75.1
2nd qtr.	184.6	125.6	145.7	385.7	346.5	1,453	76.1
3rd qtr.	187.4	126.3	146.3	386.1	343.1	1,544	71.9
4th qtr.	191.0	127.4	147.4	391.0	348.3	1,637	68.2
August	187.2	130.3	146.3	385.9	343.6	1,461	71.4
September	186.8	132.4	146.7	387.8	345.3	1,544	70.4
October	188.3	134.3	147.0	388.4	347.6	1,600	67.8
November	191.2	127.5	147.4	391.7	347.5	1,617	68.5
December	193.4	130.4	147.9	393.0	340.3	1,637	68.4
1987							
1st qtr		129.9	149.3	395.5		1,577	69.9
January	190.4	131.9	148.8	394.5	354.0	1,604	68.8
February		129.6	149.3	396.1		1,586	69.0
March		128.2	149.7	396.9		1,541	71.5

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

UK NEWS

Labour claims radical benefits cuts threat

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party yesterday claimed it had "clear and irrefutable" evidence that, in the event of re-election the Conservatives would implement a radical overhaul of unemployment benefits which could end, or reduce, payments for millions of people.

A Labour Party spokesman, Mr Gordon Brown, said government ministers are secretly planning an American-style assault on the unemployed and their dependents. This would be the biggest shakeup in welfare payments for 40 years, he said.

Next week, Labour will reveal what it claims is the Government's "hidden manifesto" for a third term, citing a series of proposals which it claims will be kept quiet until after another general election victory.

According to Mr Brown the benefits reform will mean the Department of Health and Social Security (DHSS) losing responsibility for welfare payments to the unemployed. Instead, the Department of Employment (DoE) will implement a new regime of regional controls to oversee benefits.

He claimed that Lord Young, the Employment Secretary, would set new and varying benefit levels for the unemployed and their families, and would impose American-inspired work tests on those out of work before any benefit was paid.

Lord Young is today expected to receive a Government-financed university report into a feasibility study examining the prospects for introducing a US-style Workfare system in Britain. Under the American programme, which is not adopted throughout the United States, recipients of benefit have to prove they are in need of assistance and must also work off payments in approved employment.

● Mr David Blunkett, a member of Labour's national executive committee, yesterday issued a challenge to Mr Norman Tebbit, the Conservative Party chairman, to admit the Government's secret general election agenda includes privatisation of water supplies.

Mr Blunkett said that another Conservative victory would see Britain's most precious natural resource sold off for short-term gain at the nation's long-term expense. It was unlikely, he added, that the Government was honest enough to include "such a disagraceful proposition" in its next manifesto, but the legality of the plan would be challenged by Labour local authorities and trade unions.

Jobs agency at crossroads, Page 11

Tories prepare for war of words

BY PETER RIDDELL, POLITICAL EDITOR

AS IMPORTANT as the local government election results on May 7 will be their interpretation – in influencing media and public perceptions.

Conservative Central Office has made preparations previously unseen in British politics in order to win this propaganda battle, as well as to provide Mrs Margaret Thatcher, Prime Minister, and her advisers with the most detailed possible information for their meeting on the following Sunday to decide the general election date.

The Tories are determined not to be caught out as they believe they were two years ago when Dr David Owen, the Social Democratic Party (SDP) leader, seized on some early gains in his own constituency to create an impression of much larger Alliance advance nationally than later turned out to have occurred. But he had won the battle of the following day's headlines and news bulletins.

This time, however, Central Office is ready. It has arranged for an external computer to be made available. Detailed voting figures from every ward in the country will be analysed immediately they come in.

With some 75 to 80 per cent of results being declared overnight this will allow Central Office to make preliminary estimates of the overall impact by the early hours of the morning, in time for comments by party spokesmen on late night programmes and in Friday's newspapers. A full analysis of all the figures will be done on Friday morning and be available to party leaders by that evening.

All this is in contrast not only with previous local elections but, in particular, with 1983 when all the data had to be assembled and cross-checked before the start of the full computer analysis. The result was that work carried on throughout Saturday and the final analysis was not completed until Sunday morning.

This very expensive analysis rests, of course, on the assumption that the local results are a reliable guide to national trends. After all, turnout is generally much lower than at a general election – 40 per cent or less against over 70 per cent – and local factors do play a part.

There is also some evidence that voters are more inclined to support Labour candidates in local elections, particularly in smaller cities and towns, than in parliamentary contests. For instance in 1983 the Labour share of the vote dropped by 6.5 percentage points between the May local elections and the general election a month later.

Even more striking was the contrast in 1979 when local and parliamentary elections were held on the same day and some Labour parliamentary candidates performed several thousand votes worse than their party's councillors for the same area.

Nevertheless, Conservative Central Office believes that it is possible to draw conclusions from local contests since allowance can be made for differential turnout and for local factors. This is partly because more and more contests are three-way fights, and also because turnout is rising in local elections. The Tories also believe that worries about Labour extremists are spreading outside London.

All this, of course, reflects a growing politicisation of local government in the non-metropolitan districts outside the big cities. The number of independents has been declining steadily since reorganisation 15 years ago but it has been given a further push by the rise of the Alliance with its desire to fight contests wherever they occur.

Minister to promote Saudi trade links

By Max Wilkinson

MR PETER Walker, the Energy Secretary, starts a two-day visit to Saudi Arabia today at a time when the world will be watching anxiously for any sign that Saudi Arabia's strategy of holding oil prices to around $18 per barrel is starting to crack.

Although a stable oil price at $18 to $20 per barrel would help to promote the next phase of the development of the UK sector of the North Sea, the British Government has steadfastly refused to co-operate with any price-fixing by the Organisation of Petroleum Exporting Countries (Opec).

In public the Government has expressed a strong commitment to the ideals of the free market. In private, officials have pointed out that it has relatively little scope for ordering a cut in North Sea production, and they fear that any cut by the UK would quickly be offset by increased output by Opec members.

Mr Walker's visit, therefore, is likely to be seen as a more general effort to promote goodwill between the two countries and encourage trade links.

He will be exploring possibilities for the export of British expertise and technology in the minerals extraction field, and talking about the scope for collaborative projects.

Steel company's price protest

By Maurice Samuelson

SHEFFIELD FORGEMASTERS, Sheffield's second biggest employer with a gas bill of about £8m a year, is to complain to the Office of Fair Trading (OFT) about alleged anti-competition practices by British Gas.

Mr Phillip Wright, group managing director, said yesterday the move was being taken after discovery that some small customers of British Gas and some of Sheffield Forgemasters' competitors were being supplied "at a huge discount to the price we have to pay."

British Gas was not immediately available for comment.

UK NEWS

Search for investment supremo under way at Legal & General

BY BARRY RILEY

ONE OF Britain's top investment jobs has been thrown open to all comers. The Legal & General Group is looking for someone to take charge of the £11bn pool of assets controlled within the UK, including £4bn to £5bn within its main life assurance fund.

This traditional life assurance group is now gearing up in a very untraditional way as it seeks to adapt to the much sharper competition being experienced in all its areas of operation, including investment.

"He needs to be an outstanding investment man with a track record and fully versed in the most modern investment techniques," says Mr Joe Palmer, L & G's chief executive.

But grey backroom men need not apply. "He also needs to be very visible on L & G's behalf, able to speak to any audience at any level," Mr Palmer insists.

The job will be open to internal applicants but a number of top external candidates are expected to be introduced by firms of headhunters.

A lucrative remuneration package is being offered, with all the trappings of a performance bonus and share options to add to the basic salary.

Traditional institutional salary scales are being thrown out of the window as L & G attempts to compete in the cut-throat market for top investment talent.

"We are setting our sights high. In order to attract a top level individual I am prepared to consider any current market practice to tempt him away from what he is doing at present," says Mr Palmer, whose own remuneration rose above £100,000 last year.

Mr Palmer admits that the group's recent investment performance has been "mixed". Although it boasted a chart-topping success by its Far Eastern unit trust last year, the performance of the managed pension funds, the other shop window for the group's investment talents, appears to have been mediocre.

"Our managed funds have not been as good recently in equities as we would have liked," he concedes.

All the same, the main life fund, he says, has been keeping up satisfactorily with the indices for the various investment categories.

Competitors allege that L & G's recent launch into the pension fund market of a pooled index fund designed to match the All-Share Index at low cost is a sign that its standard funds are failing to sell because of uncompetitive performance.

But Mr Palmer insists that the index fund represents an attempt to draw on US experience and anticipate a potentially very strong demand from the market place, with a product which will appeal increasingly to pension scheme trustees.

However that may be, the intake of pension fund money slipped last year and profits from running some £3bn of pension fund clients' money slumped from £6.5m to £4.7m despite the buoyancy of the market background.

L & G's struggles in this area have been highlighted by the success of rivals Prudential Corporation in winning £1bn of new management business from the British Rail pension scheme.

Elsewhere, too, the rapid growth of smaller, more entrepreneurial investment management companies such as Henderson Administration, Framlington and Murray Johnstone has emphasised the need to raise the profile and incentives of L & G's previously low-key investment management department.

Mr Palmer emphasises that the planned investment changes form only a part of a broader management reconstruction which has already, for instance, led to the hiring from outside of an accountant, Mr Tony Hobson, as head of group finance, a post previously filled, in time-honoured life office style, by an actuary.

The investment management shake-up comes as the two senior men in this department approach retirement. Mr Richard Sleight, securities chief, reaches retirement age next year, and Mr Peter Simon, who has had a 15-year run as head of investment (and is now also deputy chief executive) is due to retire in 1989.

Japanese and UK funds to start law studies

FINANCIAL TIMES REPORTER

JAPANESE and British companies will finance Britain's first full-scale university programme of studies in Japanese Law, says Professor Jeffrey Jowell, Dean of the Faculty of Law at University College, London, who has raised about £800,000 from Japanese donors and hopes to acquire a similar amount from British companies with Japanese connections.

The money will be used to establish a Chair of Japanese Law at University College which will focus on commercial law and practice, with particular emphasis on international trade law.

Professor Jowell yesterday said there was a growing demand for Japanese law courses, especially maritime and shipping insurance law, environmental planning law and attitudes towards law. It is presumably too early to say whether this will be given a further fillip since so many companies and Government officials are concentrating on means of breaking barriers to selling inside Japan.

There is also increasing interest for courses in all aspects of Japanese life, much of it funded by Japanese companies and institutions. About 100 university teachers specialised in various aspects of Japanese studies with the growth in language teaching being especially strong.

In 1978 there were only six universities at which some Japanese language teaching was given; today there are three times as many. Ten years ago there were about 15 to 20 full or dual honours graduates being turned out with degrees in Japanese studies; this year the number is expected to reach 60.

Lombard, Page 17

Austrians in hotel deal

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

AUSTRIA'S leading commercial bank has taken a 50% share in a new company set up to establish country house hotels in Britain.

Creditanstalt-Bankverein has formed a joint company with Speyhawk, the quoted British property company, to develop Lucknam Park, near Bath, in the west of England, into a luxury hotel with 43 bedrooms, suites and conference facilities.

The deal is unusual. Banks in Britain rarely take a direct equity stake in new ventures. Joint ventures between foreign banks and British companies in the domestic hotel property industry are equally rare.

Mr James Stewart, Creditanstalt's investment banking manager, yesterday said the company would be expanded with the acquisition of more country house properties.

The cost of opening Lucknam Park by the target date of spring 1988 is £3.8m, of which £300,000 is coming from an English Tourist Board grant.

BUSINESS LAW

Product liability - a US warning

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE CONSUMER Protection Bill, now on its way through Parliament, will make the producer (and also the importer, supplier, or any person representing himself as the producer by a trademark or name) liable for damage caused by the defective product, even if he was not negligent or any way at fault.

The Bill covers not only liability for personal injury and death, but also damage to property intended for private use. Throughout the EEC, similar legislation will be adopted by member states in order to implement the Community's product liability directive.

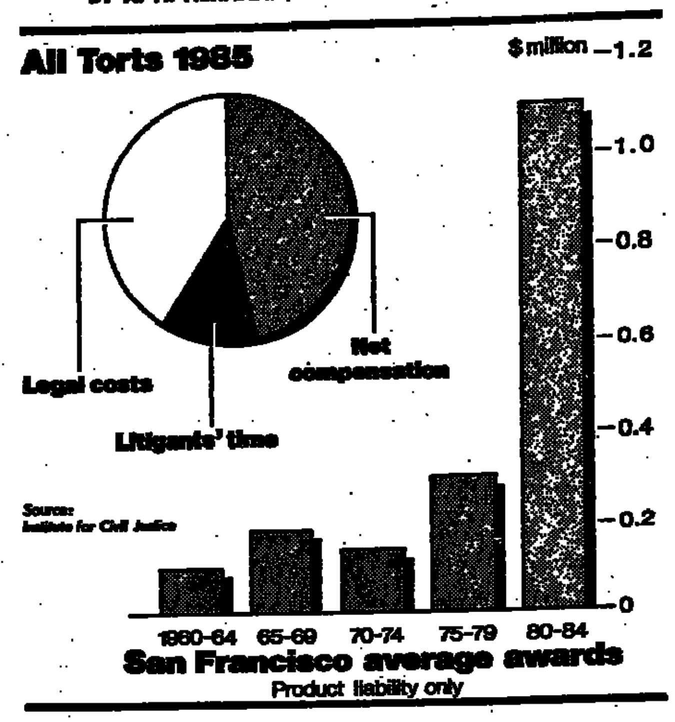
Asked recently whether the EEC product liability proposal is "a good thing," Mr Richard K. Willard, the US deputy Attorney-General*, suggested that it might be a good thing for the US which has already suffered a loss of competitiveness as a result of its own stringent product liability laws. Mr Willard, who is in charge of product liability legislation and chaired the US Tort Policy Working Group (TPWG), thinks there is growing awareness of the enormous social cost of product liability laws. The total tort litigation costs were estimated for 1985 between $29bn (£17.8bn) and $36bn (£22bn) — of these claimants received at most $14- to $16bn.

In addition to the legal costs there is a proliferation of costly defensive measures. For example, the cost of unnecessary medical tests, Caesarian deliveries and other surgery, is estimated at some $20-30bn per annum.

While the European trend is clearly towards greater product liability, the US seems to be retreating in horror from its consequences. Last year, the TPWG recommended a return to a fault-based standard for liability and a number of other reforms. The past year saw an unprecedented bout of legislation and, so far, two thirds of the states have adopted some reform of the tort law.

The pioneers of reform argue with considerable success that the social security system now provides a safety net allowing the limitation of awards and that the present system operates in favour of wealthier plaintiffs who can claim greater loss of income than poorer victims.

They point out that the system is inefficient because the victim gets less than half the money paid by the manufacturer, the rest being absorbed by legal costs and that it is unfair in that it favours victims of manmade accidents against victims of natural disasters.



There are also the old arguments that product liability law discourages innovation, which would not apply to European legislation, if, as in the UK, it provides an exemption for development risks.

The US insurance crisis, which meant that manufacturers could not obtain insurance cover or could not afford the insurance premiums asked for it, has ameliorated somewhat, mainly as a result of higher excess thresholds and lower limits of cover. Moreover, there is an increasing reliance on self-insurance and captive insurance programmes.

But the impact of the no-fault liability laws is still felt. In 1986 commercial general liability and medical malpractice insurance produced 13 per cent of the premium income but accounted for 33 per cent of the industry's total underwriting losses.

The defenders of the present system argue that the insurance crisis is caused by collusion among insurers, imprudent business practices, a decline in investment income and trade regulation. However, the US Justice Department concluded that these are unlikely causes of the crisis. It attributes the crisis to unforeseen changes in the court's determination of liability and assessment of damages, together with the uncertainty generated by these changes.

The rise of average jury awards is accelerating. Most of the increase which has taken place since 1960 occurred in the 1980-84 period. In this period, product liability awards increased by 212 per cent in Cook County, Illinois, and by 1016 per cent in San Francisco, California, the two judicial districts in large conurbations for which good reports are available. Medical malpractice awards rose in the same time by 2167 per cent in Cook County and by 830 per cent in San Francisco. Of particular interest is that the proportion of £1m-plus awards rose steeply in the last 20 years, reaching by 1984 over 85 per cent of the total damages awarded in Cook County and 58 per cent in San Francisco.

Punitive damages, originally introduced for intentional wrongs only, and now applied to no-fault situations, increase awards, are an obstacle to settlement, and lead to abuse of litigation. Another cause of the escalation of liability litigation is traced back to legal theories seeing the role of courts in distribution of risks by means of insurance rather than in resolution of disputes.

The adoption of popular social engineering theories by US judges can be partly explained by the fact that state judges are elected and try to please the voters.

There are, of course, also more specific reasons. For example, the fact that US motor insurance is grossly inadequate, limiting the compensation of victims of accidents to $50,000, must have been an important incentive for the development of product liability laws.

Another notorious incentive is, of course, the contingency fee system in which the attorney finances the litigation for a share of the award. It must be said, however, that the contingency fee system also eliminates hopeless claims and thus prevents a good deal of unnecessary litigation.

In its updating report on the liability crisis, published last month, the TPWG urges more reform legislation. It should be drafted simply and clearly to survive the attempts of judges to limit its effect. Such legislation should remove the joint and several liability which enables the plaintiff to seek compensation from whoever has the deeper pocket, even if his share of responsibility is only minimal. Instead, liability should be proportionate to the share of fault or responsibility for the injury.

The most controversial reform proposal concerns the non-economic damages awarded by courts for pain, mental anguish and emotional distress. The TPWG originally recommended a limit of $100,000 on such non-economic damages, but has now increased its recommendation to $200,000. It recommends that punitive damages should be included within the overall limit on non-economic damages.

Another way of curbing punitive damages would be to restrict attorney's contingency fees to no more than 5 per cent of punitive awards. But the TPWG makes a wider attack on the contingency fee system when it proposes a sliding scale descending from 25 per cent of the first $100,000 of an award to 10 per cent of any amount in excess of $300,000.

The US experience contains many lessons for Europe, not least of which is that state laws get entrenched and are not an easy object of a uniform, union-wide reform. By 1997 this could well be a European problem. It might have been better to introduce European product liability not by a directive, but by a directly applicable EEC regulation: this could then be revoked or changed throughout Europe at a stroke, by another regulation.

*Speaking in London at a meeting arranged by Barlow, Lyde and Gilbert, solicitors, on April 9.

UK NEWS

Charles Leadbeater on the future role of the Manpower Services Commission and employment schemes

Job creation agency at the crossroads

FOR HUNDREDS of thousands of long-term unemployed and young people the Manpower Services Commission (MSC) has become a fact of life in Britain's depressed labour market.

But despite the Government's argument that it has developed the most coherent and comprehensive response to unemployment among the major economies, there is still widespread scepticism about the MSC's role and effectiveness as administrator of the Government's employment and training programme.

In part this reflects the Commission's uncertain position among Britain's political institutions. Local authorities and educationalists are often suspicious because the MSC has been used as a channel for funds outside the control of local councils and education authorities. With its decision-making bringing together unions, employers and government, the commission is a corporatist body in an anti-corporatist era.

Moreover, as other quangos (quasi non-governmental organisations) have succumbed to the Government's drive to control public spending, the MSC has grown. But, most crucially, doubt still persists over whether the MSC is really effective in creating sustainable employment for groups disadvantaged in the competition for jobs.

The Commission's record on job creation has to be judged in two ways: the performance of its various schemes in placing participants into employment and whether it has raised the overall skills of the British workforce.

While employers are concerned with skill shortages, which prevent particular companies working at full capacity, the MSC says it is equally concerned by the hidden shortages which, in the long-term, will prevent sustainable higher overall employment.

One obstacle the MSC faces is that its apparent power has raised expectations that it can solve problems which are also a major responsibility of companies. As the schemes have grown with the rise in unemployment, it is difficult to judge the commission's jobs record. While the MSC points to impressive placement rates achieved by schemes, critics argue the commission has only succeeded in reducing officially registered unemployment by taking people off the unemployment register and into temporary work.

But senior commission officials believe it has now entered the third stage of its development in which it will make a significant long-term contribution to higher employment.

The MSC started life in 1973 to bring together the fringe activities of job centres and adult training. In the late 1970s it grew to become an unemployment relief agency. Senior officials say it is now widening its responsibilities to become a national economic agency to ensure the competence of all the workforce.

This has been signalled by a shift in MSC spending. Five years ago 80 per cent of resources were spent on people under 18 years old. This year the budget for those over 18 is half the commission's spending. Individual programmes have developed in line with this overall shift.

The commission believes its plethora of programmes for the long-term unemployed are unwieldy and senior officials would like to establish a single set of provisions through which the long-term unemployed could pass.

Officials believe the Restart counselling programme has only scratched the surface in its effort to draw the unemployed into training programmes: the interviews are too short, too vague and unstructured. The MSC expects to make them more directed, and to use it as a tool to encourage the unemployed to follow certain paths back into employment.

Officials reject suggestions that Restart will be used as the initial stage of a work-fare programme under which the unemployed would only be eligible for benefits if they take up an offer of a place on a training scheme.

While the once derided Community Programme (temporary work scheme) has come to include more training, it still suffers major deficiencies, say officials. Two-thirds of the participants only work part-time; the scheme is missing the older, married male unemployed, particularly those who have been unemployed more than three years.

The recently intoduced new Job Training Scheme (JTS) is aimed at providing greater skills training for the unemployed, but it has been greeted by widespread scepticism. It may be an effective subsidy to encourage employers to take on the unemployed, but many doubt whether it will provide quality training.

It also believes it needs to develop its enterprise role to create more sustainable jobs for people leaving schemes. Officials recognise there is a danger that in areas of high unemployment there is a serious risk the MSC will create an unemployment industry, in which participants merely pass from one scheme to another. Therefore, projects will be used to develop marketable products to be taken up by small businesses, or to provide the infrastructure for small businesses, by renovating innercity areas for instance. The Commission will not become an enterprise agency as such; but it will collaborate with others in joint programmes aimed at creating small and medium-sized businesses.

The MSC's ability to maintain a broad consensus behind its strategy will remain vital to its success. The trade unions' support has been vital to the commission. This may be strained in the future by the introduction of a scheme under which trainees will be paid an allowance equal to their benefits, with an additional sum to cover expenses.

Although opposition to this innovative element of the scheme could grow into a full-blown boycott, the unions are unlikely to allow it to cloud their co-operation with the rest of the Commission's activities.

Relations with the government, however, may become increasingly tense. The Government is interested in the controversial work-fare programmes which have been introduced in the United States, where claimants are required to work. This could lead to job centre staff becoming involved in "benefits policing" – a move the MSC opposes.

Commission officials are also concerned by suggestions that the Government may want to radically reorganise the MSC, with the Department of Employment (DoE) taking direct responsibility for education and training. This would leave the commission to run the special employment measures.

Despite the attraction of reorganisation the Government is likely to remain attached to the MSC, as it is a body unencumbered by the demarcation lines of Whitehall. As a result, the MSC has been, and probably will continue to be, used as a more direct tool to implement policy in a range of areas from education to employment measures.

Its relation with employers, however, will probably hold the key to its future. Mr Bryan Nicholson, MSC chairman, believes the problem of poor training can only be solved in the long run by companies. "But the jury is still out on whether they are prepared to do enough," he says.

While officials argue there was a good rationale for a major government contribution to start to reverse the decline in training, they plan to place an increasing burden on employers. It will then rest squarely with employers as to whether spending on training falls off.

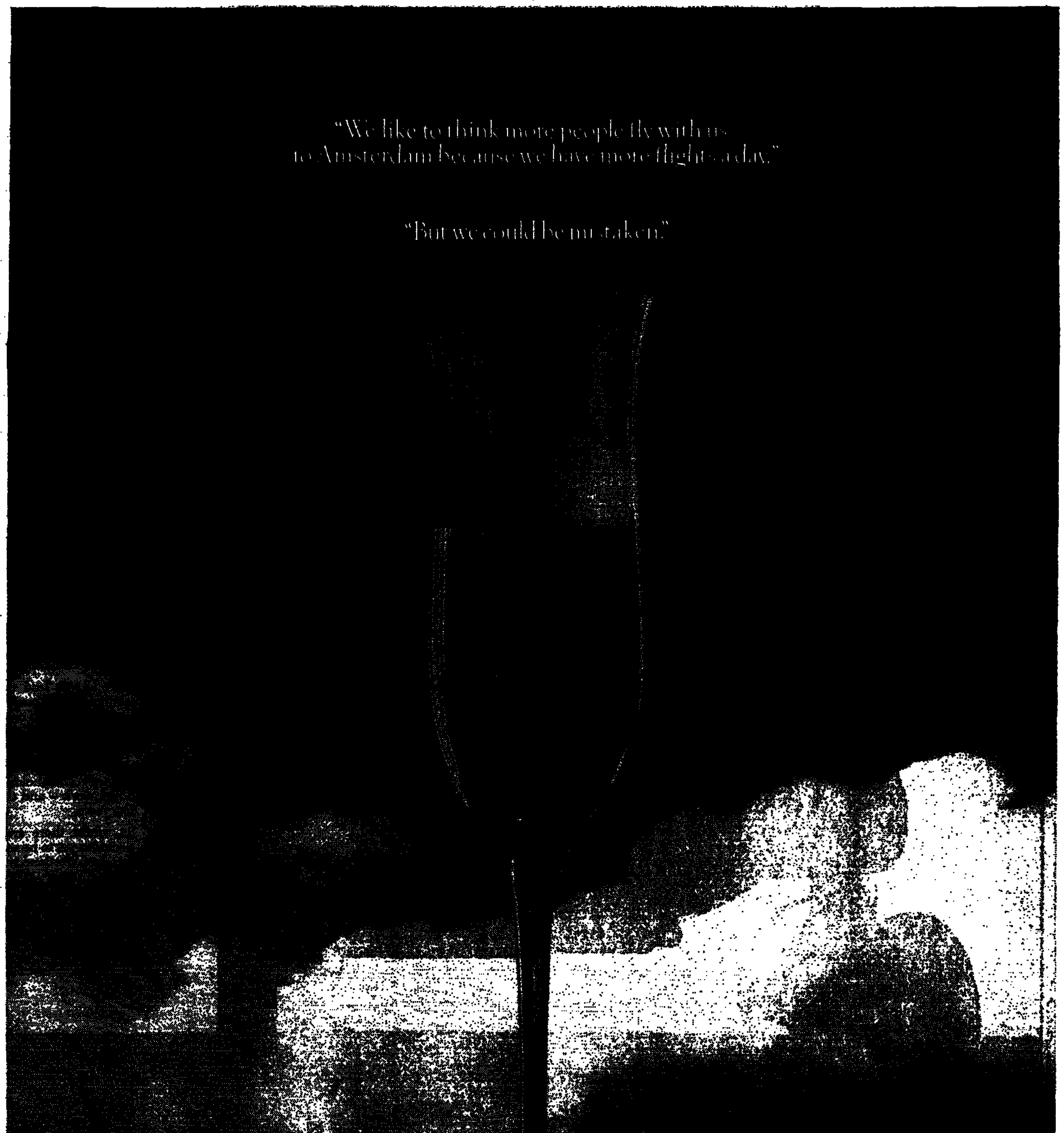
"We still think too few employers see the value of training," says an official. As a result it is likely that a central government training agency will be needed at least until the end of the century.

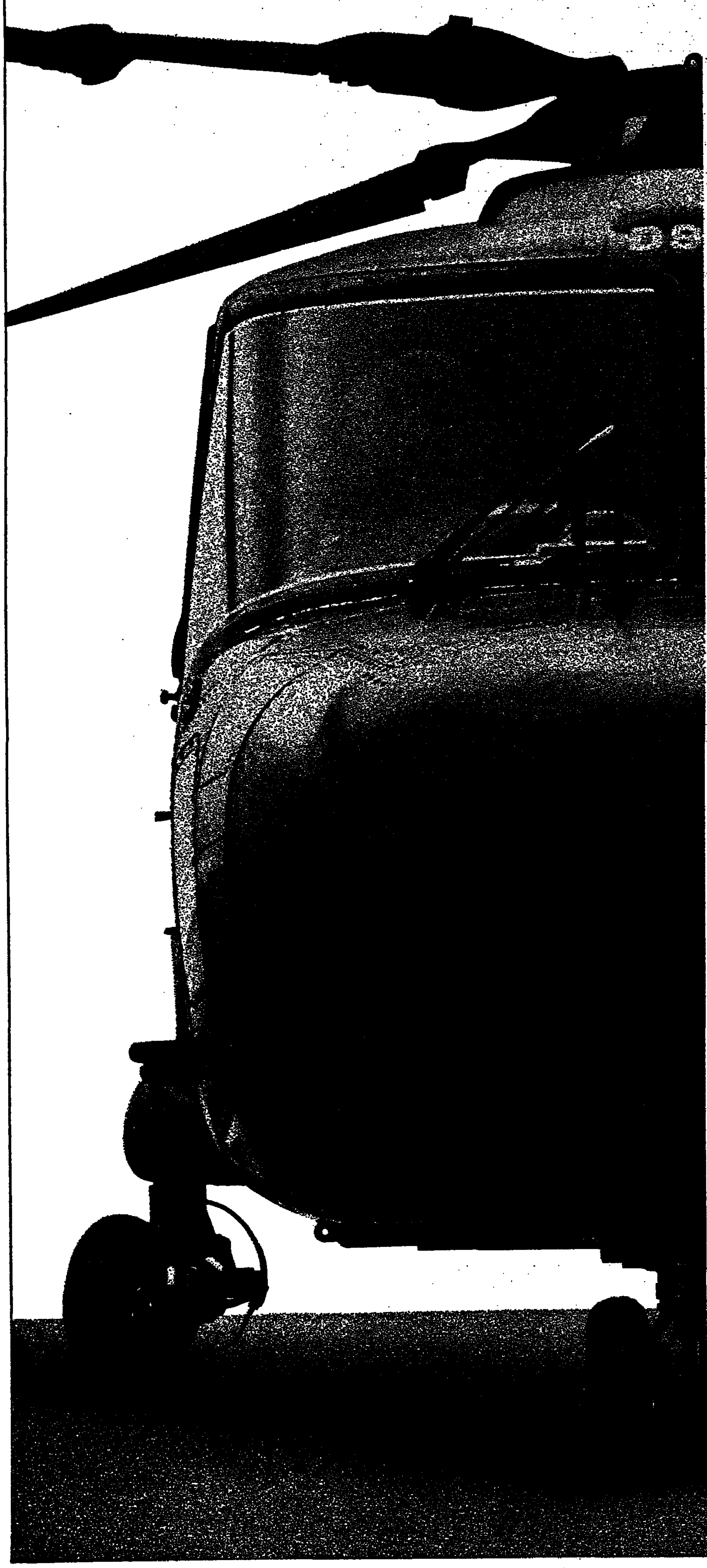
As a senior official remarks: "We kid ourselves if we think we will have a tradition of vocational education and training to take us into the twentieth century without a major central government agency. We will need such an agency if this country is going to be anything in the next century."

MAIN MSC PROGRAMMES

Scheme	Description	Estimated Participants 1987-88
Community programme	Temporary work for long-term unemployed on programmes of community benefit.	[illegible]
Youth training scheme	Structured work experience/training for 16 and 17-year-olds	362,000
Enterprise allowance scheme	Ald to unemployed workers to start own business. £40 a week for one year	110,000
Restart	Counselling for those unemployed for more than six months	700,000
Job training scheme	At least six months work experience for unemployed people under 25	n.a.*

* MSC expects 250,000 places to be available by 1988–89
Source: MSC





TECHNOLOGY

PRODUCT DEVELOPMENT: AMERICAN CYANAMID COLLABORATES WITH CELLTECH

The symbiotic search for anti-cancer drugs

By Jane Rippeteau

AMERICAN Cyanamid, through its Lederle Laboratories Division, is a leading supplier of anti-cancer drugs. But like all providers of such products, Cyanamid wants to make a quantum leap into a range of products expected to revolutionise cancer treatment by the early 1990s: drugs powerful enough to kill tumour cells but specific enough to leave healthy tissue unharmed.

When the company set out to do this, however, it realised it could not make the leap alone. It needed a certain expertise, one probably impossible to develop in-house fast enough to keep pace as competitors also raced to develop these products.

Across the Atlantic, in south east England, a much smaller and younger company was one of a handful in the world that was at the forefront of just the research Lederle needed. What that company, Celltech, wanted was the money to pay for its research, help with the lengthy process of getting products through approval procedures and the advantage of a ready-made *international marketing* organisation.

A year ago, the two made a marriage.

For an initial two years, American Cyanamid is giving Celltech £5m for a cancer therapy and imaging project, based on technologies known as monoclonal antibodies and antibody engineering. In exchange the US company will obtain rights to the commercial products that result from this work.

American Cyanamid is thus contracting out product development that it could not otherwise have carried on. "We had been active in monoclonal antibodies for a long time. It is difficult. Celltech had the knowledge and skills we did not have," says Dr Robert Hanley, business development manager for American Cyanamid's UK company, Cyanamid of Great Britain. Dr Hanley helped bring about the collaboration with Celltech.

The arrangement is not unusual. Cyanamid itself has a policy of supplementing in-house research with such outside co-operations, while Celltech depends on such investments; it has others, including deals with Boots of the UK for diagnostic kits and with Sankyo of Japan for heart disease and bone calcium drugs. Dozens of US companies have tried the technique for products from advanced semiconductors to special herbicides. The phenomenon is far less pronounced in Europe, but not unknown.

And it is not always successful. Many deals dissolve under struggles for control, lack of trust or loss of confidence that each party will get what they expect out of the co-operation. "These are relationships requiring an act of faith," notes Mark L. Radtke, vice-president of Venture Economics, a US consultancy which tracks such collaborations.

Gerard H. Fairtlough, Celltech chief executive, admits his own experiences have been mixed. With Sankyo, "we have had to work three or four times as hard," he says. "Communications take longer because of cultural and medical practice differences. I wouldn't say we're disappointed, but we've had to put in more effort than we planned."

The going has not been so rough with the Americans, he says. Cynamid executives concur that they are happy with progress so far. Adds Fairtlough: "We are absolutely determined to make it work." Not to would risk sacrificing a slice of a market that industry estimates put at 15 per cent of a \$2bn anti-cancer business by the mid-1990s, according to

"Celltech had the knowledge and skills we did not have." —Cyanamid.

Dr Jonathan Gelles, a pharmaceuticals expert with Wertheim Schroder in New York.

The drugs, although costing \$50m to \$100m to develop, can be highly profitable once on the market.

Celltech and Cyanamid executives believe the root of their hoped-for success lies in the origins of their deal. This came not long after Celltech began a charmed start on life: Supported by British Government funding, the company was conceived as an industrial outlet for technology emanating from the UK Medical Research Council's (MRC) Laboratory for Molecular Biology.

It was at this world-famous lab that monoclonal antibody technology—a basis of biotechnology—was discovered in 1975. Now, "quite a lot of our former employees, some of the senior people in the early stage, are at Celltech," says Dr Gordon Koch, industrial liaison officer at the Cambridge-based lab. "There are discussions continuously between the lab and the company.'

The quality of this group attracted Dr Hanley as he wandered among booths at an industry conference in London in 1983. "Celltech stood out like a sore thumb,' he remembers. He invited the fledgling company to make a presentation.

That first proposal was rejected, but Gerard Fairtlough remembers why he was nevertheless inspired to try again. "It was the way in which it was turned down," he recalls. The Cyanamid people's attitude was not, "'We don't want to work with this lot.' They were highly professional and open. They told us the scientific, technical and commercial reasons for not going ahead."

Celltech's second proposal, for applications of monoclonal antibodies in cancer therapy, eventually resulted in the collaborative deal. "We recognised the potential, and decided to champion it in the US," says Hanley.

There, the project attracted top-level attention. Charles Austin, Cyanamid vice-president for biotechnology and joint research ventures, became so interested he visited Celltech at its Slough, England, headquarters. Fairtlough and Austin hit it off. "We were about the same age, and our careers had been similar," recalls Fairtlough, who worked for Shell Oil before helping found Celltech. "He was a straight guy, *and somebody I could talk to.* This is very much a people thing."

As Celltech grew, Government funding waned (the company is now private), and it was keen to attract industry funding. It took its show on the road to a short-list of five companies.

In the end, according to Fairtlough, three companies besides Cyanamid—two of them British, which he will not name—were seriously interested in the joint development proposal.

"There would have been logistical advantages to linking with a company in this country," says Fairtlough. Yet neither British contender offered the irresistible quality of Cyanamid: "We got a different, and better, feedback at Cyanamid than from any of the others," recalls Fairtlough. "People were encouraged to speak up and be open. At the other companies, they might come to the meeting but they didn't open their mouths. It is something in the culture of a company."

This open attitude *is* especially important in cancer research, he adds, because there are so many different types of cancer. It was clear to Celltech that there was going to be plenty of clinical feedback—information on actual patient needs—to help guide research.

"Cyanamid's real goals were commercial. They trusted us to do the science," says Fairtlough. Others wanted "to control us by laying down scientific goals. The Americans were more alert to the real commercial needs and *less* concerned about the internal power aspect."

The deal gained Cyanamid a direct line to very top people in the field of antibody engineering. One of them, Dr David Secher, was seconded from the MRC's Laboratory for Molecular Biology *on* a two-year assignment to run the programme. "It was a chance to turn research into a product," Dr Secher says of his decision.

His team of 20 Celltech scientists is augmented by former colleagues at the lab. "This is technology at a very early stage, and we have basic research programmes," *explains* Dr Koch of the MRC. The lab also has two scientists who hold world patents in the specific technologies involved. "It's the package that Celltech and everybody else wants," he claims.

Celltech's agreements with the MRC lab that cover such coveted access are now under renegotiation. But Dr Koch says arrangements covering the technology related to Cyanamid's investment are "likely to continue."

Working with the MRC, and other outside labs Celltech uses, can be risky because of the danger of revealing proprietary information, Dr Secher concedes. "We explain what is confidential and they sign agreements," he says. "You take a risk, but if you don't discuss your work you don't get their advice."

"The open attitude of the Americans has proved vital." —Celltech.

He adds that the pace of change in the field is so fast that what is happening today is in the public domain in under two years.

Managing a transatlantic project is also difficult. Dr Secher and two members of his team meet quarterly with three representatives from Cyanamid's Pearl River research laboratories. "That is just to review progress, not to solve problems," he stresses.

One problem illustrates the mutual benefit of the collaboration. Simply put, the work involves redesigning molecules to make them behave in a desired way. One goal is to make them distinguish between cancerous and healthy cells. Another is to find ways to link these "targeting" agents to drugs that will kill the cancer cells so that *toxins* are delivered *only* where needed.

Celltech has lots of experience with such molecules. But it did not have an important analysis tool that its richer partner could offer: a sophisticated computer system for molecular modelling, run by Dr Babu Venkataraghavan at *Cyanamid's Pearl River lab.* Through a transatlantic co-operation, "together we solved the problem," recalls Dr Secher.

Both sides say they are pleased with progress so far. About a half dozen patents have have been filed on the work, and "we are already seeing product candidates," notes Fairtlough. The deal will be up for renewal in a year.

Although there are many potential applications for the antibody engineering technology Celltech has, its Cyanamid agreement gives the American company all cancer applications. As a result, "we have no incentive to hold anything back at all," claims Fairtlough.

An additional incentive lies in the promise of product royalties if the project is extended and new drugs do make it to market. For the commercialisation phase, Celltech will be dependent on Cyanamid, with its capacity to carry out clinical trials and marketing through affiliate companies worldwide.

It is too soon to say whether the two companies' mutual back-scratching will work. The needs are clear: Celltech has to have such partners to fund research and carry out commer*cialisation. Cyanamid might not* otherwise have made it into this sector of the drug market.

Without Celltech, "Cyanamid would have to approach another company that does not already have a tie-up for this, and there aren't many left," says Dr Gelles of Wertheim.

With the deal, he adds: "The potential is bright."

Inside line to better circuit designs

By Geoffrey Charlish

ERA TECHNOLOGY, the UK electrical research company, is seeking sponsors for a project that will provide electronic circuit designers with better information about semiconductor devices, and thus allow more effective circuit simulation.

Circuit simulation, an aspect of computer-aided design, allows engineers to see how a circuit will perform before any circuit boards are constructed. However, according to ERA, the necessary computational *models of device families,* and appropriate data about individual devices, are not always available quickly enough. ERA, with others in industry, plans to remedy the situation and provide a centre for the interchange of data between the project sponsors.

New life for old Olivettis

THE MILLION users of Olivetti professional electronic typewriters in Europe are the company's target for an add-on module, the ETV 500. This will turn the machines into 12-inch screen-based word processing systems.

Thus, users can move to word processing without throwing the typewriter away, and can continue working on a familiar keyboard. With an optional second keyboard, popular business personal computer programs can be run using the ETV 500.

MANAGEMENT : Marketing and Advertising

Big budgets spawn a build-up of financial promotions

Feona McEwan reports on research findings which have highlighted a need for greater understanding of customer motivation

BAKED BEANS and cornflakes, among others, are products that have long been the staple definition of fast moving packaged goods. Now, say the wags, the fastest moving packaged good is money.

With the liberalisation of the UK *financial sector*—led by Big Bang and the Building Societies Act—the banks, insurance companies, *et al*, have been freed *to invade each other's patches*. Once niche operators with narrow ranges of products, many institutions are now peddling the same wares; banks and building societies are into unit trusts, pensions and insurance, while insurance companies are embracing estate agents.

In this increasingly ambiguous climate the battleground is marketing. Retail techniques are beginning to creep in, with companies recruiting consumer goods marketers and displaying fresh interest in such factors as image, branding and awareness.

The fat and growing promotional budgets of the main protagonists underline this. The financial sector accounts for about 10 per cent of UK ad revenue and *this is fast* catching up those traditional big spenders, food and retail, according to Media Expenditure by *Analysis (MEAL)*. In the chase for the consumer purse, the sector spend has more than doubled to £347.2m in the five years *to* end 1986.

But how effective is this avalanche of financial messages newly unleashed on the consumer? Do money marketers understand the modern consumer in the new multi-choice financial climate? And are they *moving in the right direction* when they head for the fashionable one-step shop?

Not everyone believes the *financial sector is going* about its business as cleverly as it might. One of the more contentious views comes from Richard McManus, a former Boston Consulting Group consultant. He argues that in chasing the supermarket concept, institutions are bucking the general market trend, most obvious in retailing especially, towards specialisation ("focussed retailing," he calls it).

He questions, too, the general obsession with the "mechanics" of the financial product rather than the benefits offered to the consumer. This wastes much marketing effort, he feels.

Certainly, the financial offerings in general are, as communications consultants love to point out, a pretty uninspired lot. There are exceptions, of course, especially among the more practiced communicators, like the clearing banks—the Royal Bank of Scotland has very distinctive advertising while Barclays and National Westminster focus strongly on consumer benefits. Advertising from the Leeds Building Society is also much admired.

Financial marketers face a particular problem in that they are promoting a uniform product, unlike most packaged goods which have intrinsic differences. Aficionados will swear, for instance, that no other baked beans taste like Heinz. But money is money, pounds and pence, whether it it is with Barclays, Halifax or Sun Life. Consequently an understanding of consumer needs and attitudes towards money is the factor that will determine whether a financial marketeer is successful.

Demographics

So the question remains—how well do the institutions know their consumers? They know the socio - economics, the demographics, the life stages (beginners, home-makers, the retired), but how much about attitudes and behaviour?

One survey that is shedding new light on consumers' attitudes to money is Consumer Finance Market Segmentation which comes from Campbell-Keegan, an independent qualitative research company and Consensus, a financial market research consultancy, part of the Valin Pollen financial communications group.

This is an industry-wide survey which is, according to Consensus, the first attitudinal segment study designed for the financial services sector. It is a syndicated project conducted on behalf of a number of major building societies, clearing banks and insurance companies which is already influencing the marketing of the participating companies.

From a survey of 2,000 adults nationwide, and a number of in-depth group discussions, some five distinct consumer types emerged, defined by their attitudes towards money.

They are: *traditionalists (26 per cent of the UK population), fairly conservative in their approach to money. Savers rather than spenders, considering themselves financially comfortable and satisfied with their lot. They are loyal to institutions but suspicious of change—computers, plastic money and home banking alarm them.

*Anxious (21 per cent), the worriers about money, they get no pleasure in finances and tend to regard institutions as threatening. They respond well to personal relationships *with account managers*.

*Connoisseurs (19 per cent), the most informed and sophisticated group, though not necessarily in high finance bracket. Can be very demanding clients.

*Carefree (19 per cent), for *them money is a means* to an end, the route to fun; it means a holiday, a car, a meal. They tend to have up and down relationships with their bank managers. Interested in credit. Many men apparently regard their wives as carefree.

*Pragmatists (14 per cent), confident about money matters, understand enough to get on with the rest of their lives. Balanced and practical view of money.

Definitions like these can help financial institutions approach and service their various customers.

Abbey National, part of the new Link national cash network currently being advertised, subscribes to the research project. "Yes, the project is a departure for us," admits John Smith, advertising executive of Link. "As consumers become more sophisticated in their understanding of money, we must get inside their minds." The current Link campaign was devised with reference to the five consumer groups identified *in the study*.

It is helpful, says Smith, to know that the anxious, the "born losers" take things very, very slowly. "If you said 'here is a piece of plastic to access your money anywhere,' they would probably run a mile. The traditionalists need reassurance so you have to convince them you're not pioneering, that they are in step. Pragmatists are eminently practical so we need to be proactive towards them."

Misdirected

McManus's is another voice convinced of the misdirected efforts of many financial marketeers. Ex-BCG, Procter & Gamble and Johnson and Johnson, he was so convinced of the missed opportunities that he set up First Research, a research-based financial services management consultancy, to address the issues.

In addition, McManus has commissioned his own research, involving a survey of 1,400 adults in the UK, who were asked what products they buy from banks, building societies, insurance companies and brokers, as well as group discussion with home-owners, borrowers, the unbanked *and* savers. From these he made some interesting observations.

His principal conclusion sounds like heresy. "Institutions are unlikely to be successful if they continue to sell products," he submits. "People don't want products," he says. "They want homes, not mortgages; holidays and cars, not share and current accounts; comfort in their old age, not investment accounts."

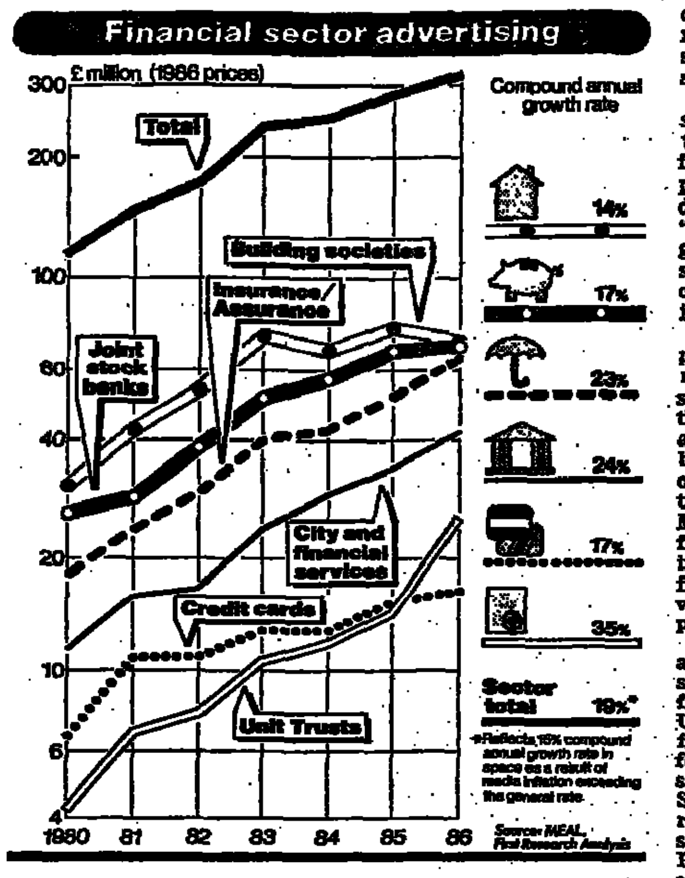
The emphasis currently is on *product rather than customer* needs, he complains, though some institutions are shifting the emphasis, notably Barclays and National Westminster banks. The problem is not lack of data so much as interpretation of it, according to McManus. Building societies, for instance, have substantial information but it is organised from an accounting point of view, rather than from that of people.

He challenges the fashionable notion of mini financial supermarkets, pointing out failures in Australia and the US and the trend among non-financial retailers towards focused retailing, and specialisation. He cites Tie Rack, Sock Shop, the Shirt Factor at Heathrow airport and, on a larger scale, Burtons with its Dorothy Perkins and Top Shop operations, among others. Even Woolworth, he notes, in its recent takeover of Superdrug, called itself a specialist. In pushing the one-step shop idea, banks and building societies are *going against* the tide, he argues.

The First Research study suggests that cross-selling of *financial* products may not be as successful as many institutions believe. People rarely buy related products from the same place, *says McManus; their time* of need varies and since most people are conservative, in the end they tend to buy from those *with perceived expertise* in a given area.

To those who cite foreign precedents of one-stop financial shops, McManus offers two counter examples: one is the Australian NSW building society/turned bank which has been offering 7.3 per cent return on equity compared with competitor banks offering 20 to 30 per cent. This shows, he says, the problem of making the transition from building society to bank profitable.

The other—in the US—is Merrill Lynch which went into estate agency in 1968. Now this activity is up for sale for $500m. In 1980 Merrill Lynch reckoned it would get 50 per cent of its revenue from its real estate base by 1984, but in 1983 this was only delivering 10 per cent.



Marketing briefs

SALES OF *microwave* ovens in France, which have more than doubled each year since 1983, may increase this year by only 15 per cent, according to a report from The Economist Intelligence Unit.

Total sales of kitchen appliances are likely to fall, the EIU says, though it reckons that *microwaves* will almost certainly go against this trend.

Since only 6 per cent of French homes are equipped with the ovens—compared with 26 per cent in the UK—there is still considerable growth in the market.

France's two indigenous manufacturers, Moulinex and Thomson, are investing in new capacity and range development. They already export almost two thirds of their output to West Germany, Italy and the UK, and expect to increase overseas sales again this year.

* Marketing in Europe, No 292. £47 in UK, £48 other European countries, US$89 North America, £50 rest of world. Economist Publications, 40 Duke Street, London W1A 1DW. Tel 01-493 6711.

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FITNESS is a fashion which may prove more enduring than some popular fads. As a result, according to researchers at Euromonitor, the UK market for sports goods is expected to increase in value by 32 per cent over the next three years.

Sales of footwear and clothing alone will be worth $1.12bn by 1990, it adds.

Indoor, water and winter sports are especially popular in a sports and sporting goods market valued at more than £1.25bn in 1986.

* The Sports and Sporting Goods Report, £235, from Euromonitor Publications, 87-88 Turnmill Street, London EC1M 5QU. Tel 01-251 8024.

●

THE HEALTH food industry could improve its prospects if it improved the child-appeal and convenience of its products, instead of "accusing" mothers of not feeding their children properly.

This is one of the conclusions drawn from a survey of children's eating habits prepared by Taylor Nelson for Holland and Barrett, the health store operator.

Despite the glut of information on healthy eating, children still prefer chips, crisps, white bread sandwiches and confectionery.

Only 8 per cent of women questioned said they shopped in health *food* stores. A "nice taste" was vital to children and an important consideration for shoppers.

Boots sells 30 per cent of all health foods sold in the UK, according to a report from Euromonitor. Small chemists, under pressure from supermarkets selling over-the-counter drugs, and *the government* - imposed limits on dispensing, are now moving increasingly into the sector.

The market for diet supplements has more than trebled in volume in the past decade and increased by 60 per cent in value.

This indicates a crucial shift in attitudes, Euromonitor claims. "Historically consumers associated supplements with convalescence; now they are seen as a useful aid to healthy living."

* Health, Slimming and Dietetic Foods, £255 from Euromonitor Publications, 87-88 Turnmill Street, London EC1M 5QU. Tel 01-251 8024.

●

THE UK *do-it-yourself tools* and equipment industry is under increasing pressure to rationalise. Future success may depend on *moves* like the recent merger of James Neill and Spear and Jackson, says Market Assessment.

Its recent report *on the* trade says it is suffering from the effects of cheap imports and a lack of innovation *opportunities which could* improve sales.

Heavy market penetration and the introduction of self-assembly *furniture has hit* volume sales of power tools. Cheap aluminium products now account for 78 per cent *of the* ladder market, and are blocking growth.

Far Eastern imports now account for more than 30 per *cent of paint brush and roller* sales. Own-label and unbranded products have become popular, and the report says there *is little* scope *for* improvement "unless products are brought down to a price level where they can be considered disposable."

* DIY Tools and Equipment, £250. Market Assessment Publications. 2 Duncan Terrace, London N1 8BZ. Tel. 01-278 9517.

Christopher Parkes

THE ARTS

Fine Art Society/Roy Strong

Pussyfooting all over the house

Emma Nelson is a black cat who lives with Edward Bawden, the painter. Her eyes are yellow and staring and her coat not particularly long, rather short in fact. I wonder how he arrived at her name, a combination of a legendary Emma, Lady Hamilton and her paramour, Lord Nelson.

Emma Nelson loves posing. She turns up in virtually all of *Edward Bawden's watercolours* of his house in Essex. She is caught up in her cat nest, upside down on the sofa, playing at being a tea cosy by a waste-paper basket in his studio, on the table next to his work, curled up on a Chippendale chair on the landing and sitting sphinx-like on the stairs. The cat is everywhere in what we see as an alternative version of artist and muse. She dominates the scene in this marvellous and joyous series of watercolours — all for sale — at the Fine Art Society until April 30.

Do not miss this exhibition. It will give the most stony-hearted a glow of real happiness on the rainiest of afternoons. Bawden in his old age has swung wide a door giving us a panorama of his home, each picture suffused with affection as his pencil and brush articulate on to paper the impedimenta of a lifetime. Artists' houses, I always find, have a miraculous atmosphere. *World of Interiors* magazine eat your heart out. No decorator could ever achieve such effects.

Here the mood reaches back to Bloomsbury and even more forcefully to the post-war Festival of Britain era. The walls are papered and stencilled in the cheerful colours of that grey period which banished wartime gloom. Paint was white and Victorian furniture was not prized for itself but as fun pieces which could be jollied up with a coat of bright-coloured paint. The atmosphere is a mixture of modesty and make-do-and-mend. There is no pretension about it and the pictures take us on a tour of the hall and landing, studio and bedroom and bathroom, each recorded in the loving detail of a watercolour from the *biedermeier* period.

One is astonished at the size of these water colours—they are very large. Astonished too at their freedom and, at the same time, their total control of both line and wash. Any student has much to learn from Bawden. Each image betokens a lifetime of discipline *in observation* and selectivity of line. The views, I feel, could never have been painted without either a direct use of the camera or the influence of its eye, for there is a snapshot quality to them.

"Cat on an unmade bed," by Edward Bawden

As a series it is full of little jokes. *Cat among pigeons* shows the *hall* and Emma Nelson on the stairs. The pigeons are in the wallpaper onto which Bawden has superimposed his own silhouette, almost a caricature with huge protruding bat ears. *Cat on a pile of blankets* takes us into his bedroom and again, if we peer into the mirror on the dressing table, we see the artist in profile. There is a wonderful self-portrait with his beloved cat in which he belies his own humour and tenderness, depicting himself as a bald-headed old man with sour downturned lips. This is a brilliant self-portrait which, one hopes, was snapped up by the National Portrait Gallery. It certainly takes its place in my mind in a long series running from Fuseli to Hockney.

Bawden is one of those artists I was brought up on, those who, along with Nicolson, Moore, Sutherland, Piper and *Minton, figured in such series as* the Penguin *Modern Painters.* They formed one's earliest awareness of modern British art. I had forgotten Bawden and thought of him perhaps primarily as a war artist. What a wonderful rediscovery this exhibition proved to be to find *Bawden* at 84 still with so much to say and give to a younger generation.

His pictures belong in their way to the inner vision of the great tradition in British art which suffuses ordinary domestic things and the world of nature with an almost spiritual quality, making such things seem mysterious and almost sacred. In spite of their comic touches, looking at these we are in a line of perception that stems over the ages linking Blake and Samuel Palmer and Dadd, among others.

They also belong squarely to that British obsession with flat two-dimensional pattern and decoration. Bawden knows all the tricks of perspective but their lasting impression is of abstract pattern, of fabrics and wallpapers and things scattered and enjoyed for their outline rather than their three-dimensional volume. Both Nicholas Hilliard and William *Morris* would have felt comfortably at home both in the aesthetic and the house of Edward Bawden.

Court in the Act!/Phoenix

Michael Coveney

A bad pun *and* an exclamation mark in the title bode ill for this Royal Exchange, Manchester, version of *La Presidente* by Maurice Hennequin and Pierre Veber. Fears prove well founded for much of the evening, a good example under Braham Murray's leaden direction of how quickly the molten innovations of Hennequin's father, of Labiche and Feydeau, solidified into "Parisian sex comedy."

There is a fallacious assumption among certain farce actors that people in a spot of bother register panic and dismay by quivering exaggeratedly at the knees before breaking into a bout of on-the-spot jogging. Michael Denison does this all the time once his mask of probity as the provincial judge, Tricointe, is punctured by a *swishy actress from the Moulin* Rouge. The curiously named "Gobette" has been thrown out of an hotel after an affray and seeks revenge on the moral justicer by passing herself off as his wife when a Parisian Minister unexpectedly turns up.

Tricointe's real wife, a brass-polishing sex-denying tartar (Avril Elgar) wants nothing but promotion for *her* husband, and the issues of self-improvement in the capital and self-indulgence on the couch are laboriously juggled while Gobette, an insatiable man-eater, swallows the Minister and his male secretary.

The secretary (a sternly precise Terence Wilton) is saved from the jaws of incest, and Gobette, by his happily resolved infatuation with Tricointe's daughter, whom he has met on the train from England. In England, this girl has been hit on the head by a tennis ball *and can speak only an excruciating* "franglais." Her condition is neither funny nor vile, unlike the afflictions of Feydeau characters who stutter when it rains.

This sort of sub-Feydeau rubbish proliferated in France and was in fact more acceptably domiciled here in our own *popular farce tradition. The* demi-monde invasion of pompous respectability is stolen in many details here from Feydeau's *La dame de chez Maxim*, while the cumbersome and unthrifty use of a bell push concealed under a pile of cushions is only a pale imitation of a brilliant sequence in *Le Dindon* —the sound effect is located in this production somewhere behind the set exposing the frailty of the device even more.

Gabrielle Drake, stepping out of her dress in the Minister's office, is a delectable vision in *corset and suspender belts, and* has no trouble reconciling a demure coquettishness with an avowed devotion to liberty through sex. But Gobette is a cardboard cut-out compared with Feydeau's actressy cocottes Môme Crevette or Amélie. Lee Montague's Minister is guilty of too much knee-quivering, but he strikes a few funny tortured and besotted attitudes.

New recruits since Manchester last summer are Derek Smith doubling as a wizened councillor and unfunny Ministerial usher, and Oona Kirsch as the daughter. One felt most for Colin Prockter's beleagured official charged with writing *out* a new appointment for Tricointe each time the wind changed in the boss's favour. Stephen Doncaster's designs of false bookshelves, garish walls and hotel foyer in the art nouveau "vermicelli style" conform merely to a conservative and *demonstrably inaccurate idea of* what Feydeau farces "look like."

Yr. Obedient Servant/Lyric Studio

Martin Hoyle

Dr Johnson was fat, scruffy, irascible, rude, witty and lovable. However, theatre criticism not yet existing as a profession, he became a mere man of letters.

As we all know, he compiled our first dictionary (only he didn't; the Anglo-Saxons got there before him), fed his cat oysters, drank much tea—one of the sadly few characteristics he shares with Tony Benn—and liked criticising Scotsmen.

This last tendency adds a certain *piquancy to his* materialisation through the medium of Scots actor and comic Robbie Coltrane at Hammersmith's Lyric Studio. As viewers of TV's *Tutti Frutti* know, Mr Coltrane has a faint *je ne sais quoi* of Caledon about him. For most of American author Kay *Eldredge's new monologue* he remains impeccably English. He strolls on, however, fag in mouth and newspaper in hand, to make himself up at a dressing-table in the corner, chatting of muggers and urban evils in his native lilt before revealing that it is 1745.

Roger Glossop's set is dominated by a long raised platform on and off which the asthmatic Great Cham clambers. Unlike Peter Barkworth's Sassoon, this one-man show is not made up simply of the subject's own words; like Alec McCowen's Kipling, *he speaks linking* material, sometimes with a modern ring to it (did they use the word "spat" in the American sense, meaning quarrel, in the 18th century? Did Johnson really imitate a kangaroo before Australia was discovered?). The effect is likeable if *disjointed and shapeless; a quick* résumé of Johnson's best-loved sayings, the story of his life jogged through a trifle crudely —he writes a farewell note to the departing Thrales, for instance, only to say in the next breath, "Now they're back."

Mr Coltrane is not the most fluent of players as he gets his two hours' worth of lines out, at his best when affably insulting a dinner-table of invisible guests. He looks right: bulky and breathless, both lowering and genial. And in an age of inverted jingoism, when the favourite conversational cliché *is a smug "Of course, I'm not really* English," a reminder of Albion's traditional middle-class paradoxes—an innate conservatism with a loathing of injustice, an affection for children and animals combined with blistering rudeness towards adult bipeds, the soft heart beneath *the crustiness—may well* come over as an amazing novelty.

Robbie Coltrane

New opera in Geneva and Paris

Andrew Clark

Of all the people involved in defining the future of opera as an art form, Rolf Liebermann must be one of the best equipped because of his unrivalled success as an opera administrator and policy-maker in postwar Europe. As a composer, however, he appears to duck the issue in his fourth opera *La Forêt*—his first full-scale work for more than 30 years — which has just been premiered in a very beautiful and accomplished production at Geneva's Grand Théâtre. Instead of looking forward, he offers a retrospective of vocal aesthetics as practised by the more bel cantist composer of the past, using as a vehicle the dry sophistication of a play by Alexander Ostrovsky. The result is highly civilised, but rather empty.

On his own terms Liebermann has succeeded in creating a work that appeals directly to the technical and tonal resources of opera singers, and to the aural senses of the listener — a kind of staged concerto for voices and small orchestra. But the problem with writing a theatre work primarily to show off the sensuous beauty and agility of the human voice is that the plot is in danger of losing importance — to the point where it becomes tedious.

Liebermann owns to a lifelong fascination with *The Forest*, because the conflicting values of bourgeois and artist evoked in the play have some relevance to his own upbringing. In adapting Ostrovsky for the lyric theatre, he has confined the music to the role of decorating the dialogue, and therefore effectively undramatised the play. What is the theatre composer's function, if not to say in music what the playwright had no choice but to say in words?

The librettist—Liebermann's wife Hélène Vida—can hardly be blamed, because the text has been dextrously adapted with an ear for the phonetic beauty of the French language. The music, a kind of Gallic post-serial tonality, is almost entirely in the voices, the fastidiously-scored orchestra functioning purely as punctuation and atmospheric support (the solo piccolo interludes and static, sombre string passages recall Messiaen). Liebermann offers a pastiche of bel canto artistry to his two principal female singers, casting the central figure of Régine (Raisa in the play) as a coloratura mezzo and turning Alexis into a travesty role for coloratura soprano. Anne Howells—enjoying the peak of visual and vocal maturity—and Hellen Kwon were perfectly cast. Michal Shamir and Gilles Cachemaille also impressed as the two young lovers.

The leading male role, Malfortune, had been written for Ruggero Raimondi, who made the mistake of waiting until two days before rehearsals before deciding the part was not for him. It is hard to avoid the conclusion that Raimondi had simply not learned the part. But he was not missed, for his replacement, Jean-Phillipe Courtis, gave a performance of immense skill and cantilena charm. The evening also owed much to the subtle guidance of Jeffrey Tate in the pit, to the flair of the stage director Gilbert Deflo who set the action around 1950, and to the entrancing decorative-Surrealist designs by William Orlandi.

★

For an opera that was premiered only two years ago in Toulouse, Marcel Landowski's *Montségur* has done well to reach the Paris Opéra so soon. Its progress stems partly from the institutional seat Landowski has occupied in French musical life since the 1960s, and from the work's appeal to French cultural taste — the grand spectacle pregnant with mystical colour, couched in language that speaks more to the senses than the intellect.

Its requirements include a large stage space, a 100-piece orchestra and a pair of good singing actors for the two leading roles. It is almost tailor-made for the Palais Garnier and has been well applauded there. I doubt, however, whether *Montségur* will be heard outside France.

The opera's theme of intolerance is based on a tale of religious bigotry from the Languedoc in the Middle Ages, when church and state had to move as one and the heretic's conscience clashed with personal and family loyalties. The theme is a lofty one that translates well to the stage in Landowski's broad emblematic colours.

The opera is divided into two acts of less than an hour each, but is close to outstaying its welcome because of Landowski's over-insistence on maximising the impact of every moment. In that respect and others, *Montségur* has something in common *with the dramatic* oratorios of Honegger; the same cumbersome orchestration, neo-Romantic echo, and preponderance of declamation and choral chant. The orchestra includes an ondes Martenot, an electric guitar and a synthesiser, which Landowski uses imaginatively *up to the point where it is made* to sound like a cheap spook machine. In spite of these drawbacks, the work *as* a whole breathes an air of sincerity, and some of Landowski's large musical gestures fulfil their purpose of generating dramatic tension and atmosphere.

The opera's realisation has benefited enormously from the passionate commitment and nervous energy of Michel Plasson, who has put Toulouse on the musical map and brought the fruit of his efforts to Paris with admirable finesse. The central role of Jordane was written for Karan Armstrong, who gave a powerful performance within her well-known limitations, and found a handsome partner in Gino Quilico's Gautier. There were strong supporting contributions from Michel Sénéchal, Pierre Thau and Alan Fondary. The production by Nicholas Joël, using an awe-inspiring Gothic interior setting by Hubert Monloup, made a vivid exploration of the work's symbolism.

LFB/Sadler's Wells

Clement Crisp

London Festival Ballet's offshoot, LFB, is in Rosebery Avenue this week with a selection of short works largely new to the repertory. *Nocturne*, which opened a first programme on Tuesday claims to explore "the social standards and inner struggle of women in the mid-19th century." Brave intentions on the part of its choreographer, Kevin Haigen, though hardly borne out by the sequence of duets and encounters set to Dvorak music for violin and piano. Mr Haigen's ladies suffer a good deal in non-specific fashion, and know occasional happy moments, but they have no reality, *no* apparent roots, no social class other than that dictated by mid-calf dresses and distraught expressions. Their dances are craftsmanlike, and performances seem fluent, yet the sum effect is of gratuitious emoting and ill-defined dramatics.

There used to be *little that* was ill-defined in Roland Petit's *Carmen* when his own company performed it. With LFB it has undergone a North Sea-change, and there *is* more of Skegness than of Seville in the presentation. Gesture and step lack that sensual chic which lies at the heart of the piece, while Antoni Clavé's designs have been decimated to sorry effect so that the scene of the robbery lacks all mystery, and Carmen's bedroom has the anonymity of motel furnishing. The staging is neither stylish enough nor passionately vulgar enough, nor—with the honourable exception of Mireille Bourgeois as the leading girl—bold enough in feeling.

To rescue it from politeness it needs some of the ripsnorting show-biz dash that the dancers bring to Alvin Ailey's *Night Creature* which ends the evening. This has a slickness and an honesty in the performance of its trumpery inventions that compel admiration, with an especially idiomatic interpretation from Brenda Edwards.

Miss Edwards leads the rout with a *joyful freedom* of technique and manner: the piece may only be a glorified show routine, but the cast cut bright swathes of movement through it, and look good.

LPO/Festival Hall

Dominic Gill

If there was not something positively discomfiting, there was at least something faintly disquieting about every item in *Tuesday's London Philharmonic* concert under Rafael Fruhbeck de Burgos. The programme opened with Max Reger's long, late orchestral homage to Mozart, the Variations and Fugue op.132 which he completed in the last year of his life ("...the greatest miracle that the earth has ever seen was Mozart — we urgently need a lot, lot of Mozart...").

We may concur wholeheartedly with Reger's taste and judgment; but for all the impressive academic mastery *of* his material which he displays, the musical substance of the Variations is thin, and the inspiration is erratic — the Variations give us a lot, lot of Reger, and very little of Mozart, and the attention easily wanders. Frühbeck de Burgos directed with a passion and intensity, heart-on-sleeve, which evidently sought to persuade us that they are one of the great and lasting works of the repertoire.

After the interval, the soloist in Rakhmaninov's Paganini Rhapsody was the 19-year-old Finnish pianist Olli Mustonen. It was Mr Mustonen's South Bank debut — a spectacular *debut, one could say, that might* be the very reverse of propitious. He has good, strong fingers and the sound is firm, if rather dull; but the physical mannerisms of his playing, and their musical import, spoke dangerously of a little carbon-copy Ivo Pogorelich in the making. Mustonen *gave* the "big tune" with overpoweringly ingratiating vulgarity, waving his hands and tossing his coiffure—like the rest of his performance, aimed at producing maximum effect with minimum musical insight. The audience loved it; but unless he goes away and does some serious work very soon, he cannot last very long.

The score of Respighi's *The Pines of Rome* by itself almost defines a particular state of musical discomfiture—amateurish in its instrumental layout, crude in its working, loud-voiced, insistent, repetitive. "What a lovely big noise!" said a nice old lady to her companion as she left the hall—and in five words she got it exactly right.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 17–23

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension *ever since it* came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived *in a more* ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum *he* is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Daniel Buren. Having acquired fame with his controversial columns in the Palais Royal gardens, Buren, obsessed with vertical stripes, has taken over the exhibition spaces of the Musée des Arts Décoratifs. The stripes cover everything from a specially erected staircase to china plates and their dressers, from walls to television screens. The colour of the stripes may vary, but the inspiration does not – and the initial surprise turns quickly into a long drawn-out tedium. Musée des Arts Décoratifs, 107 rue de Rivoli (4260 3214). Ends Apr 26.

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative improverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Hommage to President Georges Pompidou: Echoing the celebrations of the 10th anniversary of the Centre Georges Pompidou, Artcurial presents 100 contemporary artists around a nucleus of paintings, drawings and sculptures which belonged to the late President. The great names of the then avant-garde in his own collection, the furniture he chose for the Elysée Palace; all testify to the impulse this Homme de Culture gave towards modernity – and his enjoyment of it. Artcurial, 9 Ave Matignon. Closed Sun and Mon, Ends Apr 30 (4299 1616).

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. *He did* much of his work in Bonn, and was responsible for a new art form Rheinische Expressionism, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

Düsseldorf, Kunstmuseum, Ehrenhof 5: From Raphael to Beuys. This exhibition displays 55 Italian baroque and renaissance drawings from the museum's permanent collections, as well as paintings by 19th and 20th century German artists. Ends May 17.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertumno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Milan, Pinacoteca di Brera: Impressionist Paintings from American Museums – 47 works from the splendid collections held by the Metropolitan in New York and the National Gallery in Washington. Includes works by Boudin, Cézanne, Corot, Degas, Van Gogh, Manet, Pissarro, Renoir and many others. Ends May 10.

Rome, Palazzo Braschi (Piazza San Pantaleo): Luis Ducros (1748-1810): Italian landscapes at the time of Goethe. Delightful exhibition of watercolours and coloured engravings (from the Ducros Museum in Lausanne) of the monuments and palace gardens of Rome and those sites around which would have figured in any self-respecting eighteenth century grand tour: Tivoli, Vesuvius, Paestum and Posillipo (Virgilio's Tomb). The exhibition is held in the sumptuous palace which Pope Pius VI built for his family, and on show here is Ducros's account of that same Pope's visit to the reclamation works on the Pontine Marshes in 1783. Ends May 3.

Milan, Palazzo della Triennale: Imaginery Cities, A Journey Through Italy and Nine Projects for Nine Cities. An exhibition in two sections. Nine groups of young architects, Italian and foreign, examine the history and development of cities as diverse as Rome, Naples and Turin. In the second, they make imaginative suggestions to solve overcrowding, urban decay and uncontrolled development. Far from being futuristic, some of the projects hark back to the original city plans, in the case of Rome, suggesting a re-division of the city into seven distinct centres, based on the ancient Roman city plan. Ends May 17.

SPAIN

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

Madrid, a Franck Auerbach retrospective. 40 oil paintings by the German artist who moved to the UK in 1939 and is an exponent of the figurative expressionism tradition. This show, sponsored by British Council, was recently seen in Hamburg and Essen. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Jun 1.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use *of bridges as symbols of modernity* and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Space in European Art: 100 works from ancient Greek period to early 20th century selected by distinguished art historians. Japan with its different use of space in art provides an apt setting for comparisons. The exhibition, while mainly paintings, includes sculptures reliefs and engravings. National Museum of Western Art. Ueno.

Textiles and Ceramics of the Andes: 180 items from 1000 BC. Tokyo Metropolitan Teien Museum. Meguro, formerly home of a prince of the Imperial Family. In Art Deco style and designed by French architect Henri Rapin, the museum has an abundance of deco fixtures and fittings. Tokyo To-Teien Museum, Meguro. Ends May 12.

Woyzeck/New Vic, Bristol

B. A. Young

To follow its *Julius Caesar*—which was not admired on this page—the Bristol Old Vic's Company 3 has chosen Buchner's *Woyzeck*. The play is comparatively unfamiliar and, at any rate in the adaptation made by Leon Rubin and Peter Tegel, decidedly short on immediate appeal.

The adaptors have moved the story from a German garrison town in the 1820s to a western city of our own time. *Woyzeck* is not a soldier but a cleaner in a public toilet; the captain seems at one point to be his supervisor, but then retreats into anonymity—just as Woyzeck himself does, for without the army background he seems no more than just another sad man about the street. He cannot be made unemployed, for he has to be subject to discipline. The doctor retains his old personality, hiring Woyzeck to eat nothing but peas so that he may study the effect. Marie, now Mary, is little changed; she *hugs a doll to her breast* that is hardly a fair equivalent of Buchner's little boy, and her seduction is not by a Drum Major but by a foreman, and a violently observed seduction it is. The order of the scenes is only a little different from those in my edition, but then it is different in almost every edition.

What is missing from this performance under Tal Rubins's direction is the genuine feeling that we are among the poor of a modern city, and unless we can believe that as strongly as we would believe in the German garrison we cannot feel for the sufferers. Leo Wringer gives a *first-class* Woyzeck, but *he does* not belong in, say, Bristol's St Paul's. Even the foreman (Michael Fenner) is no more than someone out of the crowd; Mary's delighted comment to her friend that (in Peter Tegel's version) "he is like a lion walking erect!" is just not on.

Company 3 is described as "polycultural," which means chiefly that it is recruited from various ethnic groups. So Woyzeck and Mary (Shope Shodeinde) are black, but the foreman is white, easy enough to accept in a modern European city. Lucy Sheen, who plays all the women but Mary, is Chinese. In the event, the ethnic origins are irrelevant; the playing is all. There is clear talent among the company; but the production, demonstrative and harsh even in the softer scenes, tends to *overwhelm* them.

The fact is that the comparison of a modern industrial city with Buchner's Darmstadt of 150 years ago is not a true match. The accursed field, the circus, the pond where Mary is stabbed and Woyzeck drowned — these don't belong in the same world as the jeans-clad workers, the pub with its illuminated machines, or the two vintage punks. One feels with Judge Brack in *Hedda Gabler* that "people don't do such things!"

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A concession from Mr Baker

ONE CONCESSION — and one only—should be made to the teachers' unions. Beyond that, the Government should not move from any of the policies that it has outlined over the past few months. The concession would be to announce that the period during which Mr Kenneth Baker, Education Secretary, can impose pay settlements will come to an end within a year, so that the 1988 wage award may be settled by new bargaining machinery the precise form of which will, if possible, be agreed in advance with the unions. This might mean some loss of face for Mr Baker, for there is no getting away from the fact that it would constitute an abandonment of the three-year break from bargaining that was so prominent a part of his recent lightning bill to settle teachers' pay and conditions of employment.

However, the package the Education Secretary announced at the beginning of March was flawed in the sense that it did not indicate how the gap between the old Burnham system of collusive bargaining and an unspecified replacement was to be bridged. The consequence has been that opponents of the settlement and indeed most other parts of the Government's education policies have been able to come together under the banner of a fight for the democratic right to collective bargaining. Such a banner is hard for even the most moderate rank and file teachers to ignore, and it may in time have its effect on members of the public who are otherwise increasingly irritated with the behaviour of the warring and disparate teachers' unions.

Solid support

Against that, the clear message coming from the conferences of the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers this week is that the banner of democratic rights is the main cause of the difficulties. Without it, those who would find grounds for complaint in an education service managed by the Archangel Gabriel would be exposed as a powerless minority. Even with it, the unions have shown uncharacteristic prudence in turning away from extra-legal action. The unions' proposed work-to-rule is merely sticking to the letter of the law (and it is a reasonable assumption that implementation will be patchy).

Again, yesterday's vote against a refusal to provide up to three days of compulsory cover for absent colleagues was a controlled response to the executive's argument that to break the law in that manner would be to invite the Government to *smash the union in the courts*.

The rest of Mr Baker's package has solid public support. The settlement he is currently imposing provides for an average increase of 16.4 per cent in the teachers' salary bill. He was obliged to impose it, following *two years of disruption in the* schools and long months of negotiations during which it became plain that the teachers' unions could not be brought to agree among themselves. Nobody is seriously arguing that the Burnham machinery can be made to work again.

It should also be widely understood that what is really taking place is a simple power struggle between the unions and the Government. If the educational reforms which are now in the pipeline are to be enacted, that struggle must be won by the Government. A national core curriculum has general support: the teachers should participate in its formulation, as they have been invited to do. Periodic testing is seen as sensible by many parents: the teachers should not reject it out of hand. Complaints about Mr Baker's "attitude" may be justified in some eyes, but the likelihood is that they are in reality standard white-collar trade union whinges about clear objectives set out by a strong authority.

Deft footwork

What Mr Baker may yet have to apply is a standard response in such circumstances. He must set out to convince both teachers and the general public that he is right, not only in the broad view of what he is doing, but in much of the detail. His most difficult task is with the teachers, and perhaps his best way forward would be to swallow the pill of retreat on the matter of negotiating machinery, and then write to each teacher in the country setting out the Government's position. His earlier leter to teachers explaining the pay award was not without effect, even though it was sent via headmasters. The Education Secretary's proposed reforms are, in the main, welcome. He now needs to display the necessarily deft footwork that alone would clear away the dispute that is blocking them.

Flexibility on arms control

IT IS tempting to characterise the eighth round of US-Soviet talks in Geneva which starts today as make-or-break in superpower arms control.

It is not quite that dramatic. Near though Washington and Moscow are on a deal on *medium-range missiles, the out*standing issues of how such an accord should be verified and of how reduction or elimination of shorter-range nuclear missiles should be tied into it are still too disputed to permit agreement on a final treaty in the next few weeks. Nor, on the other hand, would a few more weeks or months of haggling, even on medium-range missiles which offer the best chance for agreement, cause the whole arms control to break down. President Reagan and Mr Mikhail Gorbachev have, in their different ways, invested too much political capital to allow that to happen. But there is now a clear prospect, despite the many doubters in Western Europe and in the US Congress, of a superpower summit by the end of this year.

But if such a summit is to be scaled this year, two things will have to happen. The first is that the issue of medium-range missiles will have to be kept essentially separate — not from the shorter-range weapons where the inter-relatinship is *militarily logical and politically* now inescapable, but from the issues of long-range offensive and defensive systems where the US and the Soviet Union are still pretty far apart.

Changed position

But Soviet actions and words show a new, and hopefully sustained, flexibility. For a start, Moscow has allowed today's Geneva talks on medium-rane weapons to start a fortnight ahead of discussions on the other arms control issues. More important, Mr Gorbachev is making careful use of the conditional tense in his speeches nowadays. The key principles on strategic missiles and missile defence "could become a subject of accord at the summit level," he suggested.

If Reykjavik has come to epitomise the nearest approximation to superpower consensus on arms control we have seen for many years, Mr Gorbachev would, superficially, appear to be quite correct in taking the US to task for retreating from the position it took in Iceland. For it is indeed the US that has most changed its position since.

But Mr Reagan linked his Reykjavik positions to his single proposal for elimination of all *ballistic missiles over 10 years*. Mr Gorbachev, out of understandable self-interest, refused to accept this. But in doing so, he left the US free to rejig its positions.

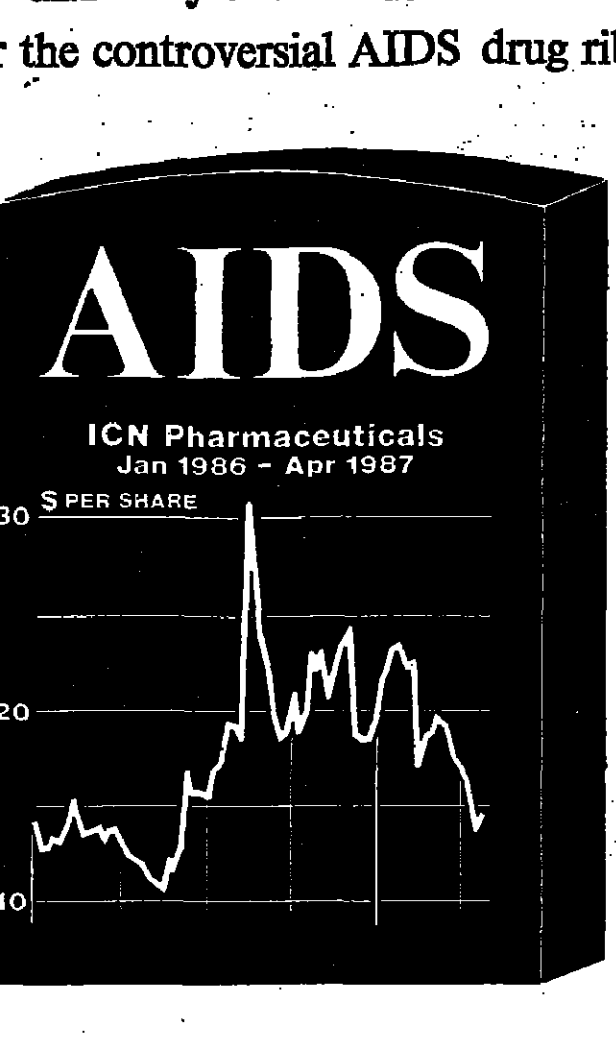
A basic problem remains the difference in structure of US and *Soviet nuclear forces*. The latter has more missiles based on land than at sea and fewer cruise missiles than ballistic missiles. The US believes such a Soviet force is not only more threatening to itself but also more inviting of attack—and therefore destabilising. It wants to use arms control to accelerate changes in the Soviet force structure, as Mr Gorbachev complained this week. Any medium-range missile deal tied to settlement of this long-running dispute could wait a long time for signature.

The second, and obvious, condition for a medium-range missile accord is that Nato must rapidly agree how it wants to play the Gorbachev offer to tie reduction, even elimination, of shorter-range missiles in Europe to such an accord. The cause for urgency is not that Mr Gorbachev and his spokesmen are making fun of Europe's Dr Strangeloves who have learnt to love the bomb, and of the way Western Europe and the US present each other as the real obstacle to agreement.

Rather, it lies in the need to convince western people that Nato has a proper policy to extract the maximum arms control benefit from the most innovative Soviet leader it has faced for many years, and to do so in good time to get US Congressional ratification.

In that regard, the doubts now being expressed by Capitol Hill leaders, echoing those in Europe, about the de-nuclearisation of Europe, are not propi*tious*. Such *doubts rest on* genuine political and military fears of leaving Europe naked to superior Soviet conventional force. But they need to be openly debated, and adequately provided for, in a new Western negotiating position.

James Buchan and Tony Jackson look at dramatic claims made for the controversial AIDS drug ribavirin



Tasting a bitter pill

FOR three years now, Californians infected with the virus believed to cause AIDS have been travelling to Mexico to buy a drug they hope can delay the onset of the fatal disease.

The drug, which appears to be effective *against a range of* viruses, sells in frontier drug stores for the peso equivalent of about $30 (£18.40) for a three-day dose. It is called ribavirin and is at the heart of an angry debate in the US.

For the desperate spokesmen of the 1.5m Americans infected with the virus, the issue is simple. For the regulatory authorities, though, it poses the dilemma of denying a drug to the mortally sick, or being pushed into approving it too hastily. For companies and investors it raises the spectre of greed and commercial opportunism.

Representatives of AIDS victims are clamouring for the drug to be approved in the US as quickly as AZT, a drug produced by Burroughs Wellcome which last month became the first AIDS treatment to be made available on prescription in the US.

Ribavirin has the further support of several civilian and military researchers and a host of institutional and private investors in Europe and the US who see a billion dollar market for the tiny company which owns the drug, ICN Pharmaceuticals of Costa Mesa, California.

On the other side stands the US Food and Drug Administration (FDA), whose job it is to clear drugs as safe for public consumption. Last week, the FDA rejected ICN's request to supply ribavirin on compassionate grounds to sufferers from the pre-AIDS condition of lymphadenopathy syndrome (LAS), on the ground that there was not enough evidence of the drug's usefulness.

Other medical and regulatory authorities have misgivings about the dramatic claims made for ribavirin by ICN and its controversial founder and chairman, Mr Milan Panic.

Mr Panic, 57, a former bicycling champion who defected from Yugoslavia during a rally in France in 1956, has been trying to gain acceptance for ribavirin for 17 years. ICN lost money through most of the 1970s, and though fast growing, had sales last year of only just over $100m—a minnow in drug industry terms.

The drug itself, ICN's only important product, has been approved in the US only for treatment of a rare respiratory disease in infants called RSV. The US Army has also applied for ribavirin licences to treat soldiers against two tropical viruses.

Panic is compact and energetic, an intellectualised version of James Cagney with authentic American charm. He moves and talks rapidly, bringing his whole personality to bear on the listener. The impression is of a man not easy to pin down, but hard to dislike.

He has managed to play up ribavirin's potential in the treatment of *AIDS* to raise the best part of $500m through issues of stock and convertible bonds. Most recently in Europe, he has said that with this money and the company's credit lines he will make a pharmaceutical acquisition of up to $2bn this year to provide the marketing and production capacity needed for the drug.

Since January, when Panic held a press conference in Washington to publicise a 28-week trial of the drug on LAS sufferers, the FDA has been resisting pressure to treat ribavirin as it did AZT, which broke all records in being allowed on the market only 15 months after it first being tried in humans.

According to Dr Peter Mansell, an Englishman who runs the Institute for Immunological Disorders at the University of Texas, and who worked on the trial, the 163 patients have now been observed for 48 weeks and only two taking an 800 mg dose of ribavirin have progressed to AIDS. "I think it looks very impressive," he says.

The FDA, infuriated by Panic's self-publicity, remains unimpressed. It had demanded data on the drug's effect on the stage between LAS and AIDS proper, known as AIDS-related complex, or ARC. The evidence from those trials is now being studied, but sounds discouraging.

This is a serious setback for ICN, which is under severe pressure on other fronts. The FDA, which accused ICN of overstating the drug's efficacy at the time of the RSV approval in 1985, is now investigating allegations, received by the House Energy and Commerce Committee, that ICN was then suppressing information about ribavirin's side effects. "We've been looking into some matters concerning its use with RSV," Mr Brad Stone of the FDA confirms.

Researchers such as Dr Joe McCormick of the Centers for Disease Control in Atlanta have found that the drug is toxic in *high doses. But Mr Richard* Keating of ICN dismisses the allegations about the RSV trial. "They may be related to people with a large short interest (in ICN stock)," he says.

Dr Vernon Knight, the respected researcher at Houston's *Baylor* University who conducted the original trials for ribavirin's efficacy against RSV, said he had "never seen any side effects arising from the drug."

But Dr Knight was paid for the test with ICN stock options and is *a director of Viratek*, the ICN subsidiary which owns the drug. He says his Baylor colleagues knew about the arrangement and friends of Mr Panic say that before recent financings ICN had no other means to pay for such trials. But the whole issue of the RSV trial has added to the ICN controversy.

Meanwhile the Securities and Exchange Commission, the watchdog of the US securities industry, has disclosed that it *has investigated activity in* ICN stock last summer. ICN's stock price almost doubled—from $18¼ to a peak of $34—in the 10 days that followed a glowing investment report on the company by Paine Webber, a Wall Street broking firm which had just co-managed an issue of ICN securities.

Two months ago Panic was in London to arrange the listing of ICN's shares on the London Stock Exchange. In discussions with his London advisers difficulties arose over the claims which could be made about ribavirin to prospective investors. Using as cover a hostile article on the company in the Wall Street Journal, the plan was quietly shelved—though Panic told the FT he still hoped for a London listing in the first half of this year.

As a final straw Eastman Kodak, the giant photographic and chemical company which financed ICN's costly study into ribavirin and AIDS, announced it was selling its 2.3 per cent stake in ICN and part of its 9 per cent stake in Viratek. The announcement undermined ICN's stock market credibility and the stock had by last week fallen to between $16 and $17, valuing the company only as a cash shell.

Then came last Wednesday's blow from the FDA, and the stock slumped further to just over $11. Remarkably, it has since revived, yesterday coming close to the $15 mark. Ribavirin, it seems, will not go away. The FDA's rebuff, after all, need not be the end of the matter. It is always open to ICN to undertake further trials and resubmit the drug.

The FDA, too, is under continuing pressure over its whole stance on AIDS treatments, on the ground that its bureaucracy *and slowness are stopping drugs* getting to people who have nothing to lose.

It is difficult to imagine Mr Panic going away either. As he made clear on his recent trip to London, he sees himself as a David among the Goliaths of *the drug industry*.

"When I was at the University of California with some of my colleagues, we decided that the pharmaceutical industry was not productive — it is easy to make those decisions when you are a student—and we went into business with $200. From there, even with all our ingenuity, the cost of developing ribavirin has been $100m.

"But I think we demonstrated that the industry can produce better when it is small. In 1986 the US industry spent $6bn and produced just three drugs, with major new therapeutic effect. There must be something wrong there. There is still plenty of room if you are young — and if you know very little."

THURSDAY BOOK REVIEW

No Man Is An Island

By James Minchin

Unwin Hyman; £16.95

MOST Singapore-watchers end up asking the same question. It revolves around a curious and persistent paradox.

The country is politically stable and economically prosperous. The Government is democratically-elected and virtually unopposed. It has been in power for more *than a quar*ter of a century. It faces no identifiable external threat or internal challenge. Singaporeans sleep soundly at night.

Yet the same group of rational men who have steered the city-state with single-*minded good sense since* 1959, when the ruling People's Action Party (PAP) came to power, every so often do something irrational in response to an unseen enemy.

The most recent example of this behaviour is the punitive action against foreign publications which print in Singapore and which stand accused, in effect, of conspiring to undermine the state.

The question which, therefore, arises is: "What are they afraid of?" More precisely, what is Lee Kuan Yew, patriarch, prime minister and seer of Singapore afraid of, since most important questions begin and end with him?

The latest attempt to shed light on the question comes this week in a book entitled, a little obviously, No Man Is An Island. The author, James Minchin, is an Australian churchman who lived in Singapore from 1968 to 1971 and became absorbed with Lee's complex and contradictory personality, and his remarkable influence over the state he dominates.

The book is a portrait rather than a full-blooded biography. Short of political analysis, it paints a brief historical sketch of Lee's rise to power and his success in steering the city from an uncertain infancy in stormy times to full independence; but it does not pretend to be a definitive account of the man and his times.

Nevertheless it provides a fascinating insight into Lee's personality as well as a plausible explanation for his unorthodox use of power.

Minchin puts Lee on the psychiatrist's couch and pronounces him less devious than his detractors would have us believe but more complicated than the man himself pretends.

Minchin's starting point is a *biography* by T. J. S. George published in 1979 called Lee Kuan Yew's Singapore, a critical study which portrayed Lee's idiosyncratic leadership style as the projection on to the national scene of an individual's complex psychological problems. *He rejects this view as in*complete. Equally, he regards the explanation of Lee's unflinching determination to get his way as merely the result of his traumatic reaction to the Japanese occupation of Singapore as too simplistic. He is probably right on both counts.

The portrait which emerges of Lee is of a man driven both by reason and emotion: Lee the statesman and Lee the backstreet fighter. It is when the two merge that he tends to be at his most effective.

He comes over as a compelling mixture of aggression and charm, towering ambition and obsessive concern about his health.

Lee, says Minchin, is a "ruler to his *fingertips*" *although* not ambitious for egotistical reasons. He is not "disfigured," as so many others in south-east Asia, "by corruption or sycophancy." He does not create false expectations, nor does he appeal to them.

One of the most interesting and in some ways convincing judgments in the book is that what Minchin describe as Lee's paranoioa, far from being a political flaw, is a necessary force which "reaches out to fuse *the fears* of one man with the fears of a whole society." Tiny Singapore, devoid of natural resources, prey to hostile forces, living on its wits, is an image which envokes a visceral response from its 2.5m citizens.

While nobody, least of all *Minchin, disputes Lee's stand*ing in Asia, what is less certain is whether he would have been as effective anywhere else.

Lee's brand of autocracy, his enforced social engineering, his uncompromising requirements of loyalty, efficiency, cleanliness and moral rectitude would have been severely tested in a larger and more complex society with deeper cultural roots, such as Malaysia, Thailand or Indonesia.

The book concludes, a little prematurely perhaps, that the old order—Lee's order—is either gone or about to give way to a subtler, more responsive generation, better suited to adapt to a changing world.

Singaporeans who willingly accepted Lee's heavy-handed paternalism in the early, uncertain days of nationhood, are tiring of it now. The economic downturn of the past two years has made Singapore unusually vulnerable and the Government's idiosyncracies less acceptable.

Even Lee Hsien Loong, the Prime Minister's son and heir apparent, admits that "many voters, particularly the younger ones, are beginning to have less than absolute faith in the Government."

Lee, who will be 66 in September, has often said he would have liked to have retired by now. But the recession which has thrown thousands out of work and laid bare some of Lee's less well conceived economic plans has apparently been the main factor preventing him from stepping down to "write books and play golf."

Equally, however, the lack of an obvious successor has played a part in his thinking. Addressing a National Day rally in 1971, Lee told his audience: "You know, I am not here because my father was Prime Minister. And my son has no hope of inheriting my position." Nowadays, says Minchin, that rueful incantation has been replaced by a concerted effort to prove it wrong.

Alain Cass

Men and Matters

Alexander takes over

It is only some five months ago that Super Silk, Robert Alexander, was successfully arguing in the Court of Appeal that the City Takeover Panel was, *is* and should continue to be, a self-regulatory body. Now, he is to be given a personal hand in its operations, taking over from June 1 as chairman.

Alexander's tall, commanding but genial figure is already familiar around the Square Mile. A commercial specialist, he has been in great demand for some years in a wide variety of civil litigation.

He was retained in the Sasse affair, the first of the series of scandals to shake the London insurance market and has since handled a number of brief's connected with the hubbub at Lloyd's. He successfully conducted Ian Posgate's appeal against suspension.

Alexander, who is 50, represented the Government in the three-year battle to ban trade union membership at GCHQ, Cheltenham; BP in the 1977 sanction-busting case; and fought a successful libel action for Lee Kwan Yew.

He was chairman of the Bar Council last year—a period of office marked by agitation for more pay for barristers. Though earning a figure comparable to the top City salaries now, Alexander came from a modest Midlands background, and made it to the top without family connection or private income.

He intends to continue his busy practice at the Bar. The chairmanship of the Takeover Panel will be the part-time job envisaged when it was first given to a lawyer, Lord Shawcross. But Alexander will have two deputy chairmen to share the load—Sir Philip Shelbourne, chairman of Britoil, and John Hull, deputy chairman of Land Securities and a former director-general of the panel.

It will be a formidable team that succeeds Sir Jasper Hollom. Not one, I would think, to be lightly crossed.

"I didn't realise that they were so strapped for cash"

Pike's cue

The Government's business managers are sticking to a business as usual routine and refusing to identify the likely legislative casualties in the event of the Prime Minister calling a June general election. But Peter Pike, the Labour backbencher, has wasted no time in trying to ensure that the private member's bill he is sponsoring is not left in bank when Parliament is dissolved.

His Billiards (Abolition of Restrictions) Bill has already *been approved by the Lords* and secured a second reading "on the nod"—without discussion—in the Commons.

In accordance with normal practice, it was then referred to a standing committee for detailed consideration. Pike has now tabled a procedural motion to dispense with the committee's services in the hope of making the bill's remaining stages a virtually silent formality.

The bill would repeal a section of the 1845 Gaming Act requiring those wishing to operate billiard halls for public use to obtain a licence from the local magistrates. It has been welcomed by the Government as being in tune with the objectives outlined in its White Paper, "Building businesses—not barriers."

Money makers

It will be difficult to get used to De La Rue without Sir Arthur (Gerry) Norman who is retiring at 70.

He has been chairman for 23 years, during which time the group has shed such manufacturing adventures as Formica and domestic boilers, to concentrate upon security printing, electronics for printing, and security systems. Turnover in the last half year was £180m.

Norman, who became managing director in 1953, actually joined the company straight from school, the son of a Somerset farmer, 53 years ago.

De La Rue is choosing the moment to put into place a new duo of top executive directors to take charge of day-to-day management. Brian Malpass, aged 49, is to be the next group chief executive, and James Salmon, aged 46, deputy chief executive.

After ten years in the chief executive's seat Peter Orchard, aged 60, is stepping up to become group chairman.

Malpass, a doctor of chemistry, was the De La Rue finance director when, in 1984, he was sent to run the currency division. That posting was a word to the wise that he was being *groomed for the top. De La Rue* is the world's largest commercial printer of banknotes, and the currency side has an almost mystical influence upon the group's thinking.

Salmon will combine the number two job in the group while continuing to run Crosfield Electronics, where he became technical director 13 years ago, and managing director seven years ago.

Watershed

It is always a mite embarrassing for trade unions when their poachers turn gamekeepers, though at least it is a backhanded compliment to the quality of their staff.

John Pitt, national officer for water and transport with Nalgo, the white-collar union, is crossing the industrial divide to become personnel director at the British Waterways Board. Word has it that Pitt's recruitment to the other side is recognition in part of his responsibility for Nalgo's impressive campaign last year against water privatisation.

The union seems less than flattered, however. Public Service, Nalgo's journal, notes Pitt's imminent departure with the terse comment: "He will represent the employers in negotiations with staff." So long, brother.

No foreigners

Anyone who turned up to Barclays' annual meeting in the City yesterday expecting to see some fireworks over its plan to sell shares in Tokyo and New York without any pre-emption rights for existing shareholders, was in for a mighty disappointment.

When Sir Timothy Bevan, the chairman, rose to put the motion approving the deal, he was greeted by total silence. Then, from the back of the packed hall came a lone voice with a strong Scots accent: "If we do this, will we have to have foreigners on the board?" it asked.

"No!" boomed Sir Timothy. Motion carried by show of hands.

Collapse of Great City Revolt.

Observer

WEST GERMANY'S ECOLOGY WAVE

Green grows the Ruhr, oh

By David Marsh in Bonn

A GREEN wave of ecological awareness rippling through West Germany is shaping a new approach to industry in Europe's most powerful economy.

Rising concern over the Umwelt (environment) has not only added a potent ingredient to West German politics—the Greens anti-nuclear party has become an established force with 8.3 per cent of the votes in January's general election and 44 seats in the Bundestag. It has also been the source of both business burdens and profit opportunities to companies up and down the country.

Controversy surrounds the massive and growing amounts spent on pollution control, above all by the country's energy and chemical industries with some industry lobbyists complaining that such spending is an unnecessary millstone for the economy.

But the new-found ecological consciousness may actually be helping rather than hindering the country's international competitiveness.

Europe in the 1970s generally lagged behind the US and Japan in anxiety over pollution. But nowhere has the gap been closing faster than in West Germany.

Umwelt worries have been heightened by the Chernobyl nuclear accident 12 months ago and the Rhine pollution unleashed by the Sandoz chemicals blaze last November. As a result, the Federal Republic is now the continent's foremost pollution-watcher.

According to estimates from the Organisation for Economic Co-operation and Development (OECD), West Germany spends about 1.4 to 1.5 per cent of gross national product on environmental protection, compared with 1.8 per cent in the US and Japan and 1.2 per cent in France.

Protecting the environment is estimated to give jobs indirectly and directly to roughly 450,000 German people—1.5 to 2 per cent of the workforce. However critics argue that, although jobs are being created in flourishing environmental technology sectors, strong sensitivity over the Umwelt may also be contributing to unemployment by encouraging industry to rationalise operations and trim labour costs.

Mr Michel Potier, head of the OECD's environmental economics division, says West Germany is making advances in pollution control technology analogous to those of the Japanese in areas like reducing vehicle exhaust emissions in the 1970s.

In German boardrooms, there is a surprising amount of support for ecological ideas originally identified with the Greens but which, for reasons of electoral pragmatism and economic logic, have permeated through to the policies of Mr Helmut Kohl's centre-right coalition.

Somewhat incongruously for a conservative administration, the Kohl Government maintains that attention to the environment, far from being an impediment, is a condition for economic success. One of the main themes of Mr Walter Wallmann, Environment Minister, is the constructive link between "Oekonomie und Oekologie."

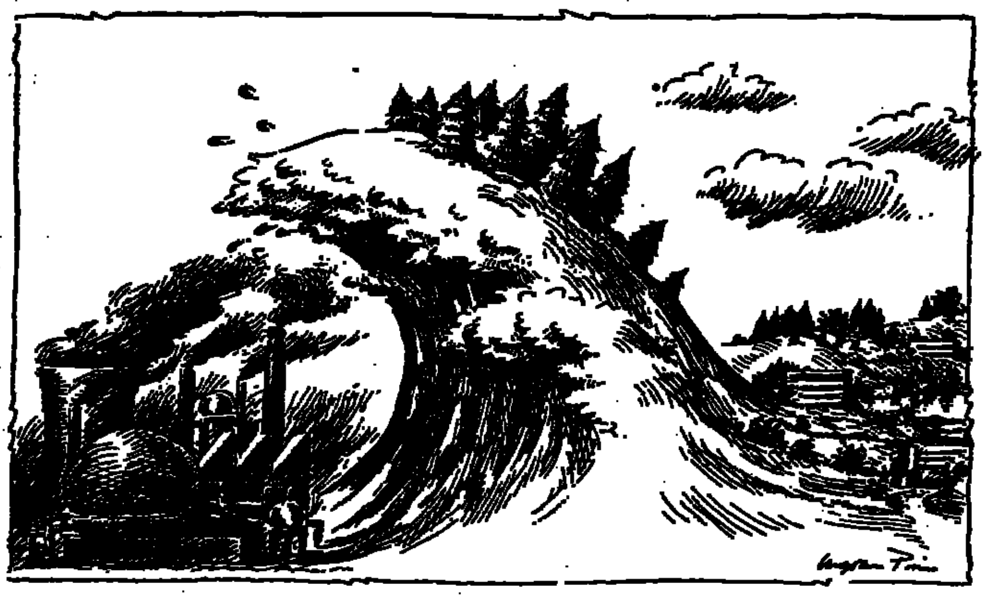
Mr Helmut Lang, managing director of Thyssen Engineering, subsidiary of the giant steel group which has built up important business in pollution control, says the Greens tend to over-dramatise environmental problems. But in terms of stirring up debate leading to policy changes, the "compromises have been good."

Argues Mr Rolf-Ulrich Sprenger, of the Munich-based Ifo economic research institute, who is making a study of economic effects of ecological consciousness, "timely environmental protection measures increase operating efficiency."

Mr Rudolf von Bennigsen-Foerder, chairman of Veba, the energy conglomerate with interests in electricity generation, oil refining and chemicals, echoes this positive view. He believes pollution controls are ultimately salutary and draws a parallel with the war-time bombing of Germany which paved the way for its industrial rebirth.

"On the one hand, strict environmental regulations bring a burden. On the other, other countries, which are at present not so strict, one day will probably face the need to catch up. Burdens can sometimes be turned into advantages later," he says.

Ecologists' political strength was demonstrated again by the Greens winning 9.4 per cent of the vote in state elections in highly-industrialised Hesse on April 5, up from 5.9 per cent in 1983.



Ecological issues are central for people of all classes, says Mr Peter Glotz, federal manager of the Social Democratic Party (SPD), who admits his party has lost credibility over the Umwelt to the Greens. The SPD suffered a crumbling of support in Hesse and surrendered control there for the first time since the war to Mr Kohl's Christian Democratic Union (CDU).

Both the CDU and SPD agreed at the beginning of April that the aim of protecting the environment will be incorporated as a duty of the state in the country's Basic Law or constitution. The move does not go far enough for the Greens, who want environmental protection enshrined in even more legally binding language. But the measure has attracted criticism from the Confederation of German Industry, which not only fears a potential tide of lawsuits, but also claims that industry will have to spend an extra DM 50bn to D M60bn (£20.2bn) in coming years as a result of tighter environmental legislation already decided under Mr Kohl's Government.

The chemical industry—including the German Big Three, Hoechst, BASF and Bayer—is complaining fiercely about a fresh tightening in German environmental regulations in the wake of the Sandoz mishap. Mr Wolfgang Munde, managing director of the German Chemical Industry Association, says, "Wallmann has put into the list everything which the Greens declared as 'Poison of the Month'—a prophylactic so that he won't be criticised."

Mr Munde, however, says the German chemical industry's spending of DM4.5bn a year on environmental protection is "a lot—but not too much." And he admits that pollution spending can boost research and development.

The chemical industry also complains about high electricity costs resulting from expensive pollution control requirements on coal power stations. But the Big Three have all been highly efficient in compensating for this through energy-saving, generating electricity through burning waste and recycling process heat.

Some industrialists accuse the German press and public opinion of psychological overkill in discussion of environmental issues. The Umwelt debate over acid rain, nuclear radiation, ozone in the outer atmosphere and mercury in the Rhine has been a sometimes impossible jumble of facts, argument and emotion.

"Germans discuss the environment like a Wagner opera," says Mr Herwig Hulpke, Bayer's director for environmental protection. "We should not sacrifice everything to the Umweltgott."

Whatever the causes, Umwelt consciousness is also a potent source of discord outside the country.

The West Germans are perennially campaigning for EEC-wide standards to reduce noxious emissions from cars and power stations. Bonn's displeasure at lack of progress on this has been just one source of recent strains with the Community. EEC officials believe that Bonn wants not only to mollify the German electorate, but also to build up expertise and market share in sectors making anti-pollution devices.

On the key question of the effect on the economy of Umwelt consciousness, evidence abounds that environment control measures have boosted industrial investment. But the consequences for jobs have been mixed.

Mr Wallmann points to the DM28bn being spent in West Germany on reducing noxious emissions from fossil-fired power stations and other industrial plants as creating demand in the pollution control industry.

Degussa, the chemical and metals group, has built up a commanding position in supplying catalysts to reduce vehicle exhaust emission, holding an estimated 40 per cent of the European market. German car-drivers' desire to own low-polluting cars—fostered by tax incentives—has been a significant factor behind booming car registrations over the past year.

Underlining the more gloomy message on employment, Mr Peter Meurer, board member of Dortmund-based Uhde, the Hoechst subsidiary which is one of the country's pollution control specialists, welcomes the ecological shift in industry. But he says that, at least in the highly industrialised Ruhr area, "We can't create enough jobs to make up for those which are lost through environmental policies."

Mr Klaus Barthelt, chairman of Kraftwerk Union (KWU), the nuclear and conventional power company, terms as "utter nonsense" the Greens' notion that jobs in nuclear energy could be offset by work created in "alternative energy" sectors. KWU has 280 staff in its "diversification" department, working on areas like solar energy and catalysts, and hopes to increase this to 600 by 1990. Over the same period though, it is preparing to reduce its staff by perhaps as many as 3,000—a consequence of falling German nuclear power orders.

New environmental technology methods give jobs mainly to specialised engineers, not general factory workers. Deutsche Babcock, the engineering group which ranks as the overall leader in German environmental technology, employs 900 people out of its 22,000 workforce in this area—which accounts for nearly a quarter of its DM 5bn turnover.

Mr Helmut Wiehn, the chairman, says Babcock shares now represent "an environmental equity." But he is worried that ecological debate in Germany cannot be conducted in "a factual way." The drawback to the focus on the Umwelt, according to him, is that industry is being hurried by public opinion and politicians into ways of protecting the environment which do not always represent optimal techniques.

The advantage, he says, is that companies are being forced to reduce costs in these areas before foreign rivals—a foretaste of how, in preparation for competition in the 1990s, lean and ecological German industry may already be drawing ahead.

Lombard

Failing with our eyes shut

By Joe Rogaly

THE JAPANESE, who have been studying us for a 100 years all the better to outwit us, are now kindly financing our relatively puny efforts to study them. We should be doubly grateful, for it looks very much as if British companies are unable to comprehend the value of knowledge as the principal tool of commerce. There are, of course, exceptions, but so far, in the case-history I am about to set out, they are lamentably rare.

The case-history is that of Proffessr Jeffery Jowell, who heads the faculty of law at University College, London. Prof Jowell decided a couple of years ago that Britain needed a proper Chair of Japanese Law, with particular emphasis on commercial law. Any British company director who requires that I explain why will be beyond understanding the answer. (Believe it or not, such numbskulls do exist, and indeed one of them, a senior stockbroker, protested to Prof Jowell that his company did not wish to contribute because it was not interested in *law*).

Sensibly, the professor made his views known to the Japan Foundation, which aims to promote Japanese culture abroad. It arranged a lecture tour of Japan. The lecturer used his spare time well. His pitch was not merely commercial, or even academic: our hero pointed out that a British diplomat famous in Japan, Sir Ernest Satow, was a graduate of UCL in the 1860s—and had, indeed, stumbled by chance upon a note from the Foreign Office offering a scholarship in Japanese language training. Sir Ernest served in Tokyo at a time when another famous UCL graduate, Hirobumi Ito, became Prime Minister and, everyone says, founder of modern Japan. So the new professorship will be called the Sir Ernest Satow Chair of Japanese Law.

Japanese donors—Mitsubishi, Nomura, Sumitomo, NTT and a few dozen others—have committed £800,000, which is about enough to establish and maintain a decent chair. Professor Jowell wrote around to the obvious British list asking for further donations from our side. So far he has received "mainly pretty dusty answers."

This *myopia dementia* is not confined to our businessmen. The Assistant Director of the Japan Foundation's London office, Mrs Sue Henney, clearly has an excellent job and is in daily contact with leading businessmen and officials. Yet when she graduated in Japanese at Oxford in 1979 she and her two fellow-graduates were advised to try accountancy, since the language they had so painstakingly acquired would not be of much use to them in finding paid employment.

The universities aren't saying quite that today, as they see Japanese speakers move to highly-paid dealerships in the City. In 1978 there were six British universities at which some Japanese language teaching was given; today there are three times as many. Ten years ago the annual output of honours graduates in Japanese studies was some 15 to 20; this years the output is expected to approach 60. Two of the main schools — Sheffield University and London's School of Oriental and African Studies—are paid for in British coin, but much of the rest is funded in yen.

The first Y300m (say £1.3m today) set up a Japan Foundation Endowment Fund in 1973; in 1978 the "Suntory Toyota International Centre for Economics and Related Disciplines" was created at the LSE with £2m of S & T's yen; Suntory topped this up with an annual Y42m for five years from 1984. Nissan matched Toyota in 1979, with £1.5m to the Nissan Institute of Modern Japanese Studies at Oxford and in 1984 the Keidanren (their version of the Confederation of British Industry) put in £¼m for a similar chair at Cambridge.

And what have we done? Following a report commissioned by the University Grants Committee a year ago, the UGC allocated £1.5m to the furtherance of studies in Chinese, Arabic, Japanese and other languages. They won't spend it all this year. So less than £1½m will go towards, say, seven or eight new lectureships in Japanese. They must be quaking in their boots over at MITI.

Letters to the Editor

The rights of management

From Mr A. Green

Sir,—Mr K. A. Mitchell (April 13) suggests that whenever an auditor is invited to provide consultancy services to a client, the client (through the auditor) should be compelled to put the work up for open competition by other consultancy firms. We believe that this would be a serious interference with the rights of management and would impose a costly and unnecessary burden on companies.

Company managements are perfectly capable of deciding for themselves whom to employ to do what work. If firms of chartered accountants are frequently chosen as consultants, this reflects the excellence of the service they provide. We can see no good reason why obstacles should be placed in management's way if they wish to obtain these services for the company from its auditors.

Arthur Green,
Deputy President,
The Institute of Chartered Accountants,
Moorgate Place, EC2.

Imbalance of trade

From Mr E. von Schmidt

Sir,—I read Mr Kuroda's article on Japanese trade issues (April 15), with interest. I have no doubt that as a result of the strong yen, the Japanese steel, shipbuilding, coal mining, heavy electrical and automobile industries are faced with a serious recession, leading to reducing profits and ultimately to job cuts. We in the EEC are quite familiar with such phenomena, partly as a result of the free importation of Japanese goods as opposed to the obstacle-ridden reverse trade to Japan.

However, I am pleased that at last it appears that the trade balance between Japan and the EEC is improving, but are we allowed to know what the imbalance in the trade really is? Mr Kuroda tells us the EEC trade to Japan in 1986 rose by 8.9 per cent, but 8.9 per cent of not very much remains not very much.

Erik von Schmidt.
Westover, Oak Hill Rd,
Sevenoaks, Kent.

The height of offices

From Mr D. Hayden

Sir, — Joan Gray's article (April 8) on Mr Charles Coyne's report which suggests that the most economic way to deal with the 1960s and 1970s office blocks is to raze them to the ground, is both alarmist and short sighted.

It is accepted that 12ft is presently considered an inadequate storey height, particularly if full air conditioning is installed. However, the report talks of 19ft which is grossly uneconomic. In four or five years time mezzanines will have to be introduced to make these dinosaurs workable. Fortunately (in this case) planning restraints and the listing of buildings will protect a high proportion of buildings from those developers who feel inclined to take the report seriously in the short term.

It is also accepted that the volume of electronic equipment used in offices has increased in quantum jumps over the last decade, but as a result of high data storage electronic units being used, far less staff are needed and storage and traditional filing systems are being scrapped.

Mr Coyne's report should have given more weight to both history and the way things are moving forward in the miniaturisation business. The old joke "my friend is in computers, he's doing so well now that he is moving into smaller premises next week" has never been so true. In the early 70s raised computer floors on average were 18in to 24in. Now floors doing the same job are less than 3in because high capacity flat cables are used. When the purpose made plastic floors are with us, which can be rolled out like sheets of linoleum with integral miniaturised circuitry, we shall be down to 1¼in. Fibre optics, ceramic development and component miniaturisation will all serve to reduce the floor to ceiling height requirements in the future.

A building with 19ft floor to ceiling height will need to yield almost twice the rental per sq ft as that of a conventional floor to ceiling height to make construction/investment viable.

All good architecture and office buildings in the past have been related to the height and activities of mankind, not the current physical dimensions of a fax machine or visual display unit.

Desmond Hayden,
78 Wingfield Road,
Coleshill,
Birmingham.

Advantages of strong currencies

From Mr C. Chetwood

Sir, — Dr Dickinson in his letter concerning the effects of the Finance Bill on Lloyd's (April 11) mentions the advantages that German and Swiss competitors derive from having a capital base denominated in a strong currency. These advantages are by no means confined to the insurance industry. Capital-intensive industries also derive great advantage from being able to borrow cheap long-term funds.

A Japanese company building a semi-conductor factory costing $100m would have a considerable advantage over one built by a British company. If there is a 5 per cent advantage in favour of the Japanese company borrowing in yen rather than sterling this leads directly to a $5m lower annual fixed overhead component than its British counterpart.

C. Chetwood.
Smith and Williamson Securities,
1, Riding House St, W1.

Too casual about nuclear hardware

From Professor F. A. E. Pirani

Sir,—It is not quite right to say, as you do in the leader (April 18), that if the short-range missiles were to go "western Europe would be denuclearised, save for the British and the French strategic forces."

On the Nato side, there would still be: 44 French Pluton missiles; about 3,000 nuclear artillery pieces; over 150 sea launched Cruise missiles, over 1,500 nuclear-capable aircraft, besides 400 Poseidon sea-launched ballistic missile warheads assigned to Nato.

The Warsaw Pact has as much—more in most categories.

With all this hardware lying about, you are perhaps rather casual about "the strategy of flexible response under which (the short-range weapons) might be used in the hope that a full-scale nuclear war could be averted."

Nato command control and communications are in no condition to achieve the controlled escalation which "flexible response" requires. We would be a lot safer if we were denuclearised more thoroughly.

F. A. E. Pirani.
22 Siddons Buildings,
Tavistock Street, WC2.

City development: demand for offices versus preserving character

From Mr M. Cassidy

Sir, — May I refer please to the letter from Mr Croot of the City Heritage Society (April 8) concerning development in the City.

Mr Croot expresses concern on behalf of the City Heritage Society that the current schemes for modern financial buildings to replace those found to be obsolete may turn out to be white elephants and/or fail to pay due regard to the interests of residents and retailers.

May I assure Mr Croot that the City Corporation is mindful of the need to give approval only to buildings which satisfactorily meet demands from occupiers but at the same time do not either exclude retailing, where it is right to have it, or adversely affect the legitimate interests of residents.

What Mr Croot should understand, however, is that there is now taking place an unprecedented expansion in the demand for a new type of office building, which the City is moving fast to provide so as to maintain its position as the leading centre for international finance in the world. So far, I believe we have been successful in meeting the pressure from occupiers but at the same time preserving the character of our 22 designated conservation areas and, of course, protecting our 450 listed buildings. This has mostly been achieved by encouraging the larger floorspace developments to occur around the periphery of the Square Mile.

Mr Croot refers to anxiety in the Barbican about loss of "environmental facilities." Shopping will be improved by the schemes now receiving planning consent in London Wall, and certainly access to the walkway network will become easier. What I suspect he is referring to is that the outlook from some of the flats will not be as open as before because new, sizable buildings are likely to be erected south of the Barbican. There is bound to be change in the horizon when viewed from the Barbican area, but not all of this change will be adverse.

I cannot accept the assertion *in Mr Croot's letter that retailing is suffering a reduction* through redevelopment pressures. The reverse is true. The total floorspace available to retailers is likely to increase in the next few years.

The City Heritage Society (judging by Mr Croot's remarks) attacks the Corporation's planning policies in ignorance of the factual position, on the ground and in the market place; facts which are amply demonstrated in reports.

To carry conviction in the case they are making, I would submit that they should demonstrate a better knowledge of, and sensitivity to, the situation in the commercial world.

Michael Cassidy.
Chairman, Corporation of London Planning and Communications Committee,
Members' Room,
Guildhall, EC2.

FINANCIAL TIMES
Thursday April 23 1987

Mervyn De Sylva on the worsening conflict between government forces and a separatist minority

Sri Lanka toughens line on Tamil rebels

ONE of the bloodiest episodes in Sri Lanka's long-running ethnic conflict continued yesterday when government aircraft strafed Tamil rebel bases, killing at least 80 people in *retaliation for the bombing which* killed up to 150 people in central Colombo on Tuesday.

The air strike followed a new attack by Tamil rebels who fought a two-hour battle at an army camp at Kankesanturai on the northern coast, killing 15 soldiers and three policemen. The army claimed the rebels suffered heavier casualties.

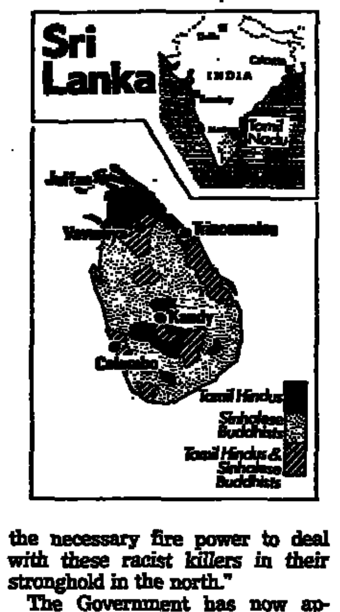
The air force attacked bases of LTTE – the Tamil Tigers – and Eros around the Tamil stronghold on the Jaffna peninsula in the north of the island. These are the two groups blamed by the Government for Tuesday's bombing at the central bus station. The final death toll is likely to be close to the 157 killed in the worst terrorist massacre of the dispute, which occurred in May 1985 when rebels opened fire on a gathering at a sacred Buddhist site.

The conflict has claimed more than 5,000 lives since the major anti-Tamil riots in July 1983. In the latest outbreak, which has brought the battle back into the capital city, at least 309 people have died since Friday.

Shortly after yesterday's air strikes Prime Minister Junius Jayewardene's cabinet met and decided to take "strong measures" in the battle against the rebels, who are *seeking a Tamil separatist home*land in the northern and eastern provinces. This is understood to mean a military offensive, although all previous military offensives *have been unable to quell the rebel*lion and many cabinet ministers are known to feel that the problem cannot be solved militarily.

But a senior government source said: "The ministers discussed the alarming turn of events, and a basic change of attitude is likely. We will strike back hard whenever and wherever necessary.

"The Government will stick firmly to the idea of a political settlement but in the past we have been embittered by the thought of civilian casualties, although we had



the necessary fire power to deal with these *racist killers* in their stronghold in the north."

The Government has now appealed to "all nations, big and small, to help Sri Lanka in this hour of crisis to preserve peace and democracy."

The casualty figure in five days of unbridled terror has been so high in the Sinhalese south, that the tougher *government stance* is clearly a response to the sour mood of the increasingly restive Sinhalese.

Prison guards in Colombo's maximum security jail had to fire at Sin*halese prisoners, who were trying* to attack Tamil youths held under the Prevention of Terrorism Act. Three prisoners were reported to have been wounded before the pris*on commissioner, Mr C.P. Jansz, or*dered 200 Tamils to be moved to a school building elsewhere in the city.

The 8-to-5 curfew yesterday in *Colombo and extensive police pa*trolling have prevented looting and arson in the city's bazaar and in suburban Tamil enclaves.

The Government, however, is taking no chances. *The curfew will be* re-imposed at 10 today. Before the curfew came into force on Sunday morning, Colombo's shopping centres and markets were packed with Sri Lankans stocking up food for what they suspect may be a long wait before life returns to normal.

The cabinet decided today to cancel all May Day meetings and processions.

Mrs Sirimavo Bandaranaike, the former prime minister, who visited the wounded in Colombo's main hospital, indirectly criticised the *Government for its unilateral dec*laration of a 10-day cease-fire on April 11. It was only six days later, on Good Friday, that Tamil rebels ambushed three buses on a road *leading to Trincomalee, in* the north-east, and killed more than 130 Sinhalese men, women and children.

Although the Indian Government has condemned the *violence, it* has been careful not to identify those responsible for the killings on Friday and Tuesday.

It is becoming obvious that the Indian Prime Minister, Mr Rajiv Gandhi, who has been trying to act as a mediator in the conflict, is now pre-occupied with his own political and personal problems.

THE LEX COLUMN

Double or quit, for placings

When your back is to the wall, there is often something to be said (pardon the expression) for a pre*emptive attack on the encircling en*emy. But it is a strategy which depends for success largely on surprise, and the only surprising thing about County's leap on the institu*tions is the scope of the reform it* now advocates, claiming the freedom to place twice as much of a company's equity as the guidelines currently allow, and that without specific reference to the exisiting shareholders.

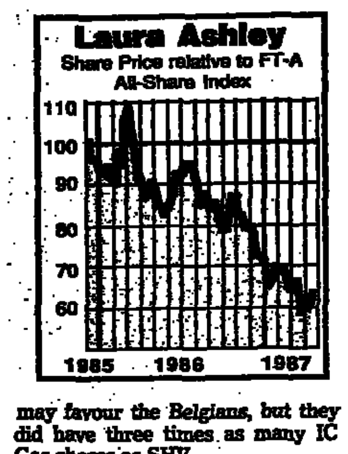
County is surely entitled to its beef about the informal pre-consultation system. The trouble County experienced with its attempted placings for Fisons and Beazer appears to have dropped out of a blue sky, when others had obtained exemption on a much larger scale. Moreover, there is a clear sense in which blocking the way to international capital by curbing placings can disadvantage UK companies.

Yet in fighting for a specific ceiling, albeit a loftier one than the pre-emptionists wish to permit, County is conceding a very arbitrary restriction. Logically, there could be a 50 per cent placing that improved the earnings attributable to existing holders, as well as a 5 per cent placing that watered them down. In any event, 10 per cent is as much of a nonsense as 5. County's avoidance of this question scarcely strengthens its case.

IC Gas

Yesterday's carve-up of the demerging Imperial Continental Gas Association between SHV of Holland, and the Belgian duo of Tractebel and Groupe Bruxelles Lambert, might be termed the second Treaty of Utrecht. It was obvious when the two groups mounted rival tender offers last month that they should have been working together, but the pointlessness of minor European wars has not always been evident to participants at the outset.

It looks as though the Belgians paid around 280p for each share in Contibel Holdings, while SHV may have forked out around 480p a share for Calor Group or 15 times *pro forma* earnings for the year to last March. The terms of the swap



may favour the Belgians, but they did have three times as many IC Gas shares as SHV.

The 21p fall in the IC Gas price to 718p yesterday reflects the fact that *SHV now has a look on Calor,* but no plans to bid for the rest of the stock. When trading in the two demerged companies begins on Tuesday the attention should shift to Contibel. This strange collection of Belgian investments may not appear very interesting, but Tractebel and GBL will probably consolidate their grip on Petrofina by taking out Contibel, which has over 7 per cent of Petrofina and three seats on its board.

APV Baker

Could it be that the enthusiastic response to APV Baker's 1986 results heralds a new fashion for the longer-term view? Unless it is a belated reaction to the sale of the Hollis stake, it is difficult to comprehend in any other way.

The pre-tax figure of £27.5m was only a shade above an ancient forecast and 1987 will provide almost no growth at all in earnings per share.

That is partly because the benefits of transforming APV's dreadful pre-1984 tax management will start to run out in the current year but, more significantly, APV will be paying that final bid defence cost – the hangover after an ambitious profit forecast. Baker will be on hand, however, to take most of the blame.

Thanks to its infamous cost overruns the 86-87 figures will be miserable (exactly how miserable we *may never know* as they are *unlike*ly to be published). But with BCS expected to bounce back and a stronger performance from packaging and US baking the pre-tax figure could return close to 85-86 levels, and acquisition accounting will allow any reorganisation costs at Baker to come directly off reserves.

No such luck at APV where there will also be merger-inspired closures as well as growing translation costs from the US and problems in Australia. Nevertheless, while a current p/e of 12 may be a little expensive the marriage of APV's entrepreneurs with Baker's engineers should come good for 1988.

Laura Ashley

For a company heavily into design, Laura Ashley's share price has had a rather uncoordinated *look about it. Even in an underper*forming stores sector – and that despite the consumer boom – they have fared badly. The simply reason is the high proportion of profits made overseas compared to other retailers. With more than half the total coming from North America, Laura Ashley has suffered from the dollar's fall, while importing to the UK from European hard currency areas cost dear as well.

It is a little unreasonable to moan, though. The US and Canada seem to offer Laura Ashley not only the best growth potential but the highest margins. And without a scrap of Swiss lace attached, how could a Laura Ashley cardigan cost so much more than one from Marks and Spencer?

Harder to quiet are fears that Laura Ashley might be reaching saturation point or that its style could fall from favour. The 25 per cent growth in last year's profits, to £22.5m, came largely from new store openings, with sales area expanding by 30 per cent. A similar increase in space this year and next can be comfortably financed, but there must come a time when the group will have to branch out. Rather than overwork the Laura Ashley name, the probability is that another brand will eventually be developed or acquired. Meanwhile this year's p/e of 19, on the shares at 171p down 5p, is rather less of a *premium rating and should prove* more sustainable.

Chernobyl residents' health 'unaffected'

By Our Foreign Staff

A YEAR after the Chernobyl nuclear accident the health of most people who were nearby is unaffected, although radioactive contamination of the area around the reactor complex remains at high levels, according to Soviet officials.

The officials of government ministries responsible for nuclear power, health and the environment refused to say that the Soviet Union made a mistake in failing to announce the accident immediately. The news emerged only when Sweden reported the accident three days after it happened.

At least 31 people died in the explosion and fire that crippled one of four reactors at the *plant* in the Soviet Ukraine on April 26, last year.

The accident sent a cloud of radiation that spread over the world. Today, only 13 burn victims are considered invalids, officials said.

The authorities have blamed the world's worst nuclear accident on an unauthorized experiment at the plant that went out of control. The reactor is now entombed in a concrete and steel structure.

During yesterday's briefings, officials said the Soviet Union had *moved away from constructing* reactors of the Chernobyl type (RBMK graphited moderated reactor) to the VVER pressurised salt water reactor.

The officials also confirmed that the Soviet Union had exploded nuclear devices for oil exploration. They said it had been decided recently that peaceful nuclear explosions had to be used to stimulate the flagging rate of extraction of oil from northern Siberian oil fields. Oil output could be raised by 50 per cent in this way, one official said.

According to Soviet authorities, radioactive contamination of soil around the Chernobyl nuclear power plant remains at higher than admissible levels and is unlikely to change in the near future.

General Vladimir Pikalov, who took part in the decontamination of Chernobyl after one of the plant's four reactors exploded last year told the Novosti news agency yesterday: "Today, higher than admissible readings of soil contamination with long-living radionucleides (cesium, strontium, plutonium) are registered mostly on the territory of the station and in the five-kilometer (three-mile) zone around it, as well as in several pockets on the territory of Byelorussia.".

Mr Leonid Ilyin, vice president of the Academy of Medical Sciences and director of the Soviet Institute of Biophysics, told a news conference that 196 of the 209 survivors who were diagnosed as having radiation sickness had been cured.

Argentina suspends trials on human rights after mutinies

BY TIM COONE IN BUENOS AIRES

HEARINGS ON human rights charges against scores of middle-ranking military officers have been suspended in three Argentine federal courts after the army mutinies organised by junior and middle rank officers that affected three military bases in the past week.

Mr Marcelo Stubrin, who is a close aide to President Raul Alfonsin and who formed part of the "emergency cabinet" during the Easter weekend crisis, said that the trials were being suspended until a Supreme Court ruling defined the responsibility of junior and middle ranking officers for abuses during the military regimes of 1976-1983.

The trial suspensions were ordered by the State Prosecutor and Supreme Court over the past two days. The Supreme Court yesterday requested details from the federal courts on all the cases involving military personnel. It is thought the trial suspensions may be extended to all the federal courts, although the Supreme Court has not so far requested this.

One of the causes of the army unrest was the summoning of junior and middle rank *officers to testify* in the trials.

Mr Stubrin said the conflict within the army was "under control" and that the resurgence of unrest at the Salta barracks on Tuesday was a "result of anxiety within the unit over the changes taking place in the army chiefs of staff." Half of the army headquarters high command, numbering 15 generals, has been officially retired for failing to maintain control of their units after the Easter disturbances.

The appointment of the new army Chief of Staff, General Jose Caridi, was yesterday criticised by Mr Perez Esquivel, the Nobel Peace Prize winner who is attending a conference in Buenos Aires. He said General Caridi had been accused on a charge of human rights abuse by local organisations.

The general has been cited to appear before the La Plata Federal Court, one of the courts where trials have been temporarily suspended, *on June 1.*

Mr Esquivel also blamed the Argentine army crisis on what he said were government delays since 1983 in going ahead with the trials and the promotion of numerous officers who had outstanding accusations against them.

Background, Page 4

UK acts to ensure competition on defence equipment contracts

BY LYNTON MCLAIN IN LONDON

THE UK Government has imposed controls on British Aerospace, which yesterday became the biggest defence contractor outside the US, to ensure freedom of competition for other defence equipment suppliers.

BAe's purchase of the Royal Ordnance armaments manufacturer from the Ministry of Defence for £190m ($309m) completed a deal proposed on April 2.

After the announcement of the sale, Ferranti, the UK defence electronics company, and Hunting Engineering, a UK munitions manufacturer, wrote to the Office of Fair Trading complaining that the sale would create a near monopoly in munitions and guided weapons manufacture in the UK.

Lord Trefgarne, Minister of State for Defence Procurement, wrote to Sir Austin Pearce, BAe chairman, on April 15 to say that the minister would take steps to ensure free competition.

"Naturally some of this competition might come from overseas," Lord Trefgarne said, especially where short-term cost and other advantages outweighed longer term benefits of buying British.

Mr Paul Channon, UK Trade and Industry Secretary, yesterday accepted the recommendation of Mr Gordon Borrie, Director General of Fair Trading, not to refer the deal to the Monopolies and Mergers Commission. The department said the decision took account of Lord Trefgarne's letter but would not say explicitly that the non-referral was conditional on controls on BAe.

Under the new controls, the Ministry of Defence has the right to inspect BAe's books for the price of items supplied by Royal Ordnance.

This would enable the MoD to establish whether British Aerospace was acting as an anti-competitive force in the defence equipment market by using its wholly-owned Royal Ordnance subsidiary as a preferred source of supplies at cheaper than market rates.

BAe buys most of its rocket motors, propellants and explosives for the production of guided missiles from Royal Ordnance. It could have insisted that Royal Ordnance sold it these items cheaply to undercut potential competitive suppliers.

The MoD will monitor the market for the type of defence equipment made by Royal Ordnance. "I believe that with our depth of knowledge in these fields this will provide a further valuable safeguard to the interests of the MoD and the competitors to British Aerospace," Lord Trefgarne said.

The MoD is to strengthen the competitive climate under which BAe and Royal Ordnance will be required to operate.

BAe and Royal Ordnance had a combined order book approaching £10bn and sales of £3.5bn last year.

Hyster in US suit against Japanese

By Nancy Dunne

HYSTER, one of the few remaining US manufacturers of forklift trucks, has filed an anti-dumping complaint with the US Government against five Japanese companies, which it says are driving the once-thriving domestic industry "toward extinction."

Hyster, which has been joined in the suit by four labour unions, said it has evidence of prices more than 50 per cent below Japanese home market prices. The complaint names the Japanese companies Toyota, Nissan, Komatsu, Toyo Umpanki, and Mitsubishi.

A similar complaint in the EEC against Japanese forklift truck manufacturers was settled last year with a voluntary restraint agreement. At the time, the Japanese had taken 25 per cent of the market and were on course to take 30 per cent. Under the voluntary restraint agreement, they agreed to limit exports to the community to 14,000 units in 1987.

The US producer alleges the Japanese are dumping internal combustion powered vehicles with lift capacities ranging from 2,000 pounds to 15,000 pounds (900 kg – 6,800 kg). This class constitutes more than 70 per cent of the total US market, according to Hyster.

Japanese exports of forklift trucks to the US have grown from 11,190 in 1983 to 26,663, Hyster said. Last year's Japanese sales covered more than 50 per cent of the American market for trucks in the 2,000 – 15,000 pounds class, according to the petition.

Several American companies have already abandoned the industry. Of the remaining three, Caterpillar and Clark Equipment have announced plans to close plants in Michigan, Kentucky and Oregon by the end of the year. The two companies may join Hyster in the complaint.

Mr William Kilkenny, chairman of Hyster, said the company is seeking "nothing more, and nothing less, than the establishment of a fair marketplace." Hyster, he said, has not been able to gain access to the Japanese market, although its products sell well in Europe.

Under US trade law, the Commerce Department will decide by May 12 whether or not to initiate an investigation of the dumping charges. If the investigation is launched, then the International Trade Commission will determine whether or not the US industry has been injured by dumping practices.

Bank of England moves to curb

Continued from Page 1

peared to be designed to force sterling below DM 2.97 although it is thought that its modest sales of sterling were conducted primarily against the dollar. The purchase of dollars rather than D-Marks is considered more desirable within the framework of the Paris accord on stabilising currencies.

Since the agreement, Mr Nigel Lawson, the Chancellor of the Exchequer, has hinted strongly that the Government is operating a target range for sterling, and there has been much market speculation that the upper limit could be about DM 2.96 and $1.63.

There are the levels at which sterling was trading yesterday, and which triggered intervention and interest rate cuts around budget time.

Sterling ended yesterday unchanged from its previous close at DM 2.9675, despite the Bank's action, but it was lower against the dollar at $1.6275 compared with Tuesday's closing $1.6340.

Yesterday's provisional, seasonally adjusted money supply figures showed that Mo had risen by between ¼ per cent and ½ per cent.

Sterling M3, the broad measure of money supply, which will not be targetted this year, rose by between 3¼ per cent and 3½ per cent in March to give an unadjusted 12 month increase of between 19 per cent and 19¼ per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	F	16	61	Malta	C	18	64	Rhodes	C	17	63
Algiers	S	27	81	Edinburgh	F	15	59	Manchester	C	13	55	Rio de J'o	C	33	91
Amsterdam	S	14	57	Faro	C	20	68	Manila	S	37	99	Rome	S	21	70
Athens	S	19	66	Florence	S	21	70	Melbourne	C	15	59	Salzburg	R	9	48
Bahrain	C	28	82	Frankfurt	S	11	52	Mexico City	R	20	68	San Francisco	S	32	90
Bangkok	S	36	97	Funchal	F	20	68	Miami	S	26	79	Seoul	R	11	52
Barcelona	S	17	63	Geneva	S	13	55	Milan	S	18	64	Singapore	R	27	81
Beirut	S	27	79	Gibraltar	S	22	72	Montreal	C	27	81	Stockholm	C	7	45
Belfast	R	11	52	Glasgow	F	14	57	Moscow	C	2	36	Strasbourg	S	15	59
Belgrade	R	11	52	Guernsey	S	13	55	Munich	F	10	50	Sydney	S	20	68
Berlin	C	9	48	Helsinki	S	3	37	Nairobi	F	26	79	Taipei	C	29	84
Biarritz	S	18	64	H. Kong	S	28	82	Naples	S	17	63	Tangier	C	20	68
Bombay	S	33	91	Innsbruck	F	12	54	Nassau	C	26	88	Tel Aviv	S	25	77
Bordeaux	F	19	66	Inverness	F	14	57	New Delhi	S	39	102	Tenerife	S	25	77
Brussels	S	15	59	Islamabad	C	36	97	New York	C	25	77	Tokyo	F	25	77
Budapest	C	14	57	Istanbul	F	14	57	Nice	S	17	63	Toronto	C	29	84
B. Aires	S	21	69	Jakarta	C	32	90	Nicosia	S	23	73	Tunis	F	20	68
Cairo	S	26	79	Jersey	S	16	61	Oporto	S	18	64	Valencia	F	20	68
Cape Town	C	19	66	Jo'burg	S	25	77	Oslo	F	8	43	Venice	–	–	–
Caracas	C	30	86	Lima	S	26	78	Paris	S	16	61	Vienna	F	8	46
Casablanca	F	21	70	Lisbon	S	21	70	Peking	–	–	–	Warsaw	F	10	50
Chicago	C	18	64	London	C	15	59	Prague	C	6	43	Washington	–	–	–
Cologne	S	15	59	Los Angeles	S	34	93	Reykjavik	F	5	41	Zurich	S	13	55
Copenhagen	C	12	54	Luxembourg	S	13	55								
Corfu	F	17	63	Madrid	S	22	72								
Dallas	–	–	–	Majorca	S	21	70								
Dublin	C	10	50	Malaga	S	25	77								

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Ruling may slow bids

Continued from Page 1

Commission, which regulates US takeover activity, had also argued that the Indiana law was unconstitutional because it restrained the voting rights of some shareholders.

Mr Martin Lipton, a New York lawyer who specialises in advising companies facing hostile takeovers, described the Supreme Court action as "a landmark decision" which could result in 30 or 40 states adopting similar legislation.

"This is a clear recognition by the Supreme *Court that corporate* raiders have developed coercive tactics and that states have the right, through traditional corporate governance legislation, to deal with those tactics," said Mr Lipton, who believes it will have a "*significant* deterrent effect on the junk bond, bust-up takeover."

The United Shareholders Association, which was set up by Mr T. Boone Pickens, the corporate raider, to champion the rights of the small shareholder, described the Supreme Court decision as a "major setback" *for shareholders.*

"It is a sad day for shareholders when the US Supreme Court sanctions states taking away sharehol*der rights," said Mr Ralph Whit*worth, an association official, adding that the "worst part is that this protects the exact people in corporate America that are least respected entrenched management."

Ericsson set to win CGCT

Continued from Page 1

shares will be owned by a French holding company in which Ericsson, the Indosuez bank, and Bouygues, the French construction group are the shareholders.

Among reprisals threatened if AT & T had gained control was the loss of CGE's market in West Germany which it acquired through the purchase of ITT's subsidiaries. A Siemens victory likewise threatened French and *German interest in the US.*

If the choice of Ericsson is confirmed today, CGE will nonetheless lose a $200m microwave market in the US pledged by AT & T.

INTERNATIONAL APPOINTMENTS

Chief executive quits at Santa Fe Southern Pacific

BY WILLIAM HALL IN NEW YORK

MR JOHN J. SCHMIDT, aged 59, has resigned as chairman and chief executive of Santa Fe Southern Pacific Corporation, the US transportation and natural resources group, which has suffered long delays in consummating a 1983 merger designed to create the second *biggest US railroad network.*

The group refuses to comment on widespread reports in the US that Mr Schmidt's departure *followed growing* boardroom unrest at the company's inability to persuade the Interstate Commerce Commission (ICC) to approve the merger. In a surprise decision last July the ICC rejected the proposed merger by a 4-1 ruling, a decision which Mr Schmidt *described as* "horrible" *and* "not justified by the evidence."

Mr Schmidt *says* that he is "concerned because this decision leaves us with three strong railroads in the East, but two strong and two weak railroads in the West. Our merger represents a private sector solution, and would leave no fear for the necessity of a Federal bail-out."

The group has asked the ICC *to reopen the* case and an announcement is expected shortly.

However, there has been speculation on Wall Street that the Santa Fe board has become impatient at Mr Schmidt's handling of the proposed merger and was *also becoming* increasingly concerned at the company's vulnerability to a corporated predator.

A month ago, the Henley Group, which specialises in restructuring corporate assets, disclosed that it had spent \$261m acquiring a 5 per cent stake, adding fuel to speculation that it might be planning a takeover bid. Sante Fe's shares have risen following the disclosure, and at their current price of around \$40 value the group at \$6.4bn.

Aside from its railroad operations, *the group has vast* real estate holdings and sizable interests in the depressed energy industry. Last year it lost \$137.9m on revenues of \$5.6bn and the company's performance has slipped because it is being forced to operate its Southern Pacific railroad at arm's length *pending the ICC approval.*

Mr John Reed, aged 69, who headed Santa Fe before handing over to Mr Schmidt in 1983, has been brought *out* of retirement to serve as chairman and chief executive until a replacement is found. The company holds its annual meeting in Chicago next Tuesday. The obvious *frontrunner* to take over from Mr Schmidt is the *45-year-old Mr Robert Krebs,* the group's president.

Unlike Mr Schmidt, Mr Krebs comes from the Southern Pacific side, the *smaller* of the two parties to the merger. Another possible candidate is Mr W. John Swartz, aged 53, a vice-chairman who worked for Santa Fe prior to the merger.

* * *

ALFRED DUNHILL Limited, the London-based marketer of luxury goods for men, has appointed Mr James P. Frain *president* and chief executive officer of Alfred Dunhill of London, Inc, its US subsidiary.

Mr Frain takes responsibility for expanding the sale of Dunhill products in the US, in particular in the menswear line. He was formerly senior marketing officer for Gucci America, with responsibility for marketing activities in the US as well as the operatio n of the Gucci wholesale division. Previously, he had been vice -president of marketing, US for Laura Ashley, Inc.

Time Inc implements top early retirement

By Donald Maclean

TIME INC, the US magazine publisher which also has interests in book publishing and cable television, has *made the first step towards* implementing an understanding reached several years ago that the executives who took the two senior posts in the company in 1980 were to retire on reaching the age of 60, rather than on the usual age of 65.

Mr Ralph Davidson is to step down as the chairman of the executive committee of Time from January 31 next year on reaching the age of 60.

Mr Davidson, who is to remain a consultant to the *company for two years from* that date, stood down as chairman of the board in September, when Mr Richard Munro, the chief executive, took up the post, in turn handing over the duties of president to Mr N. J. Nicholas.

A successor to Mr Davidson as chairman of the executive committee has yet to be appointed. In 1980, Mr Davidson became chairman of the board and Mr Munro president and chief executive. Mr Munro is 56.

Bond group makes Hong Kong switch

MR PETER LUCAS, 52, has been appointed managing director of Bond Corporation International Ltd (BCIL), the 66 per cent-owned subsidiary of Bond *Corporation of Australia, the* diversified industrial and financial concern headed by Mr Alan Bond.

Mr Lucas takes over from Mr David Paterson, who had been BCIL chief executive, and is to take up residence in Hong Kong towards the end of the month. Mr Paterson is to undertake consultancy duties.

The 66 per cent Bond Corporation interest in BCIL arises after BCIL's taking a listing on the Hong Kong Stock Exchange this year. BCIL is the principal investment holding company of *the Bond group outside* Australia.

Mr Alan Bond, the BCIL chairman, says: "Our business in Hong Kong is growing faster than we had originally anticipated, and we see tremendous *further potential for growth* both in Hong Kong itself and elsewhere in the region. We are entering a new phase for BCIL, and *believe* that the time has now come to have a senior and long-standing Bond Corporation executive, who knows the group inside out, permanently based in Hong Kong.

Mr Lucas is a lawyer who has variously run group interests in property, iron ore and base metal mining, life and general insurance, unit trusts, coal mining, and motor vehicle distribution, *as well as, lately,* retailing and consumer credit.

Reshuffle at Dow Jones

DOW JONES & COMPANY has announced the election of three new directors to the board: Mr William L. Dunn, 51, *executive* vice president of the company and president of Dow Jones information services group; Mr Peter R. Kann, 44, executive vice president of the company, associate publisher of the Wall Street Journal and president of Dow Jones magazine and international groups; and Mr James H. Ottaway, Jr, 49, senior vice president of the company, chairman and chief executive officer of Ottaway newspapers and president of Dow Jones *affiliated companies group.*

Mr Donald A. Macdonald, vice chairman emeritus of the company, and Mr Vermont Royster, former senior vice president of the company and editor emeritus of the Wall Street Journal, have retired from the board.

The board membership is increased to 17 members from 16.

Accountancy Appointments

INTERNATIONAL EDP AUDITING

Switzerland c.£30,000

Our client is a leading multi-national group in the consumer goods sector. Rapid developments have resulted in the need to increase the *strength of its EDP audit team*, presenting a challenging opportunity for a suitably qualified individual.

Working independently or as a member of a small team, the successful candidate will:

- undertake audits of computer applications and installations,
- *keep abreast of modern audit techniques,*
- supply technical advice,
- prepare/maintain audit manuals,
- develop audit software,
- *establish EDP audit training programmes.*

The role involves extensive international travel and assignments range from one to several weeks in each location.

Candidates should be chartered accountants and/or MBA's or *economics graduates* with previous experience in EDP auditing, gained within a major accountancy firm or in industry.

In addition to sound technical ability and familiarity with the latest audit techniques, candidates will need excellent communication skills, resourcefulness and adaptability.

The working language is English but knowledge of a second European language, preferably French or Spanish, is highly desirable.

Please write in confidence, quoting reference N3832, to Jane Woodward.

KPMG Peat Marwick McLintock

Executive Selection and Search
165 Queen Victoria Street, Blackfriars, London EC4V 3PD

AN INVITATION TO MEET A MAJOR US INVESTMENT HOUSE

On Wednesday 13th May, our client will be presenting career opportunities to high calibre candidates. The presentation will take place at their European Headquarters and present will be Senior Managers and Executives to discuss investment banking.

To succeed you will be intellectually bright, a newly qualified **ACA** or an **MBA** to the age of 30, from a prestigious business school, your communication skills will be of the highest order. A good understanding of the investment banking world would be useful, though not essential.

The roles include positions in profit and risk analysis and financial reporting.

Those wishing to attend should contact ***Harsa Savjani*** *or* ***Jon Vonk*** *for further details on* ***01-629 4463.*** *Alternatively call* ***01-889 8822*** *or* ***01-674 8643*** *at weekends and evenings.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TEL: 01-629 4463.

Financial Operations Manager

West of London To £28,000 + Car + Options

Our client is a leading multinational manufacturer and supplier of mini computers with a world wide turnover of some $1.5 billion. Operating in this dynamic sector of the industry the company has a very strong product line and enjoys an excellent reputation for price/performance. Due to internal promotion they now seek to appoint a Financial Operations Manager for the UK subsidiary which, with a turnover of around *£100 million* and *some 700 employees, is the largest* subsidiary outside the US.

You will be responsible for financial accounting and monthly reporting to the US parent, management accounting, planning and forecasting, cash management, tax planning, statutory accounting matters and ad hoc project work. Reporting to the Area Controller you will supervise 16 staff.

Candidates should be Graduate Qualified Accountants aged 27-32 with an excellent track record in a related industry and possess a strong personal presence, commercial awareness and well developed man management skills. Career prospects are outstanding.

The company offers an attractive package including company car, pension scheme, private medical scheme and share options.

Interested applicants should contact **Mark Carriban ACA on 0753-856151 or write to him at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor SL4 1BG,** quoting reference SV 1053.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Director (Designate)

c. £30,000 plus car and major profit share potential : Central London

Our client is a well established company in the service sector with long standing reputation for professionalism and client satisfaction. It is the principal company within an international group and, operating from nine offices around the UK, generates revenues in excess of £6m.

The Group has been acquired by a major, aggressive public company which has agreed ambitious growth targets. This has brought the financial function into sharp focus and has highlighted the need for a similarly ambitious qualified accountant to join the company with a view to promotion to the Board.

With responsibility for a department of twelve people, the role offers scope for considerable impact in terms of:

- **improvements in the production and interpretation of management information including computer systems development**
- ***financial savings through better credit control and cash flow management***
- **elevation of the standards of professionalism within the department**

The successful candidate is likely to be aged early 30's and will have gained several years post qualifying experience in a service industry including an active role in the introduction of computerised systems. Sensitivity to the requirements of a small company *at a time of change combined with maturity and credibility in the eyes of fellow managers* will be essential personal qualities. You will need to demonstrate above average energy and enthusiasm with flexibility of mind.

The generous remuneration package is linked to performance of the company and the individual and offers reward for exceptional achievement.

If you consider that you meet these requirements, please write – in confidence – with full career details, including current salary, to Nigel Bates FCA, ref. B.34003.

MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.
Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

Group Accountant

Central London £Neg.

Our client is the management holding company of an international group operating worldwide. The group has diverse interests, a turnover in excess of £1.0 billion, and is expecting to expand rapidly, mainly through further acquisitions.

Internal promotion has produced an excellent opportunity for a young, recently qualified accountant within the *Group Accounts function*. Key responsibilities will include statutory reporting, management reporting, the production of group budgets and the development of computer-based systems.

Applicants should be ACA's with up to two years' post-qualification experience. Ideally, this will be big firm experience. Self-motivation and commitment will be among the personal qualities required for this demanding role, as is the ability to communicate with management at a senior level. Career prospects are excellent.

Interested applicants should write enclosing a comprehensive C.V. to **David Northmore at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH** or contact him on 01-831 2000 quoting reference 2083.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL ACCOUNTANT

Leading marketing service company

c.£20,000 + car + benefits

A young qualified accountant is required for this appointment in an interesting and stimulating business – part of an international group. The company, which is London based, is highly regarded in its sector and controls several overseas operations. It is growing and profitable.

The person appointed will be responsible for a full financial accountancy role – preparation and consolidation, financial analysis, cash forecasts and management etc. and for overseeing the company's computer based systems.

Candidates must be qualified and should enjoy working in a service orientated high intellect environment. Specific experience of fee/project based accounting will be useful as will exposure to the advertising/marketing world.

To apply please write with supporting CV to Mike Smith, quoting ref. M/6238.

KPMG Peat Marwick McLintock

Executive Selection and Search
165 Queen Victoria Street, Blackfriars, London EC4V 3PD

Group Finance Director

Dorset Age: 28-35

To £30,000 + Car + Benefits

Our Client is a fast growing autonomous subsidiary of a major plc and is itself quoted on the USM. Following successful placing in 1984, the company has expanded significantly and is now a holding company with three main operating subsidiaries which operate in the defence, construction and contracting industries. Turnover has grown from £3 million to an estimated £20 million this year and this expansion is planned to continue based on acquisitions and organic growth.

As a result, they seek an experienced and able qualified accountant to join the main board and assume total control of their finance function during, and beyond, this growth period.

The role is extremely commercial in nature and encompasses all financial duties including: ★ Planning, forecasting and budgeting ★ Management and financial information for internal and statutory purposes ★ Resourcing and treasury management ★ Preparation of business plans ★ Review of potential acquisitions and preparation of bid documentation.

Although the role will demand an immediate and positive contribution towards running and developing the business from the board room, there is also a requirement for a "shirt-sleeves" approach in addressing the detailed management information needs of the company at all levels.

Applicants, in the *age range* 28 to 35, should have an impressive track record and be able to demonstrate strong and lucid communication skills. The stamina to work under pressure and the ability to balance broad strategic issues with the detail necessary to recommend solutions to specific problems are important attributes.

He, or she, must be able to display the flair, ambition and enthusiasm necessary to match the challenge and rewards in this role.

Interested applicants should write, enclosing a comprehensive curriculum vitae, to Tom O'Neill at Michael Page Partnership, 29 St Augustine's Parade, Bristol BS1 4UL quoting reference 8271.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Young Qualified Accountant

Launch Your Banking Career

Move into banking and fulfil a project based, high profile role in UK corporate finance.

By combining aggressive marketing with a flexible approach, one of North America's leading banks has *enjoyed recent and rapid success.* It is committed to expanding its already significant presence in the UK and as part of the growth plan has created this assistant manager level position.

Working within the *marketing team responsible for large UK corporate* clients, you will execute specific projects involving the development of tax related and capital market products. This will be a varied role which will include client contact and can lead to further opportunities within the Bank.

A qualified accountant with at least two years' post qualification experience, you have trained with a recognised firm and, ideally, are familiar with international tax. You also have well developed problem *solving skills* and respond positively in an environment which encourages self development.

Based in the City, you will command a salary which is particularly competitive and in addition will be eligible for a full range of banking *benefits.*

Please telephone or write (with CV) to:
Sue Jagger, Simpson Crowden Consultants Limited, Specialists in *Executive* Search and Selection, 97–99 Park Street, London W1Y 3HA. Telephone: 01-629 5909.

Simpson Crowden
CONSULTANTS

HERON

Heron has been actively engaged in property investment and development since 1958 with a total value in excess of £1 billion, much of it retained for long-term investment. We have an extensive UK, European and US completed property investment portfolio.

Managing Director
European Properties

This is a new post in the Group created as a consequence of ambitious current and projected growth in our European activities over the next five years. The current portfolio consists of +£200m of prime properties. The successful candidate will direct the Group's acquisition programme and oversee all property management; he/she will work closely with all general contractors, consultants and the whole gamut of specialist advisors. The post will report to the Chairman & Chief Executive.

Applicants will have been involved in major commercial schemes and are likely to hold a Directorship or other senior position with a property developer, or be in practice. In any event, they must be able to demonstrate a highly successful track record in the continental property markets. The likely age is 35+ with an appropriate professional qualification. Of singular importance are their managerial qualities including leadership and diplomacy. They will be fluent in French and/or Spanish.

The position is based in London with extensive travel. The employment package including an equity participation, will be designed to attract and retain a senior figure from the industry.

Applicants with a full CV (including photograph if possible) should write to:

A H Fell, Director of Human Resources,

Heron International
Heron House, 19 Marylebone Road,
London NW1 5JL

UK Audit Manager

London

£26,000 + car

This client is a fast moving publicly quoted retail group with locations throughout the UK and N Europe. Continual development and expansion of new services has now taken the organisation's turnover to c£150m with a forecast 50% increase in profits before tax this year.

This role is an excellent opportunity for a recently qualified accountant to undertake a high profile function that reports direct to the Group Finance Director and has continual liaison with operating personnel and general management.

Candidates will be commercially minded, aged mid/late 20's, who can make an effective and meaningful contribution to the successful running of the business and be genuinely considered for promotion after 18 months.

Please contact by telephone or by sending your career resumé quoting ref: 129 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SECTION AND SEARCH

Group Taxation Manager

c.£25,000 + car + benefits
Basingstoke

Wiggins-Teape Group Ltd is a £1 billion speciality paper Group focused on the *high added value areas of the Industry. There are significant overseas interests.* The company is part of B.A.T Industries p.l.c., one of the U.K.'s largest diversified multinationals.

The Wiggins Teape Group Taxation Manager will be responsible for all aspects of taxation in this large, complex and growing organisation.

Candidates should be qualified accountants with at least 3 years post qualification corporate tax experience. The ability to anticipate and respond quickly to new problems and situations and to provide constructive advice on new ventures and proposed corporate changes is essential. There are opportunities for advancement within the tax function throughout B.A.T Industries.

Location: Basingstoke. Relocation assistance available where necessary.

Please apply in confidence quoting reference L297 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Hoggett Bowers
Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Director
Manufacturing
Herefordshire, To £30,000, Car

Nimbus Records is the country's leading manufacturer of compact discs. Over the last few years the company has expanded dramatically and now has two manufacturing sites in the UK; a plant will also shortly be opening in the USA. It also has an international reputation as a producer of top quality original recordings. The Financial Director will have a key role in the company's future; as well as taking a full part in the management of the company, the principle tasks will be to develop and upgrade accounting systems, to maintain tight cash flow controls, to negotiate finance and to advise on tax matters. Candidates must be qualified accountants and will have had substantial experience at senior level within a manufacturing company. Familiarity with all aspects of the accounting and financial function is essential. Nimbus is a British success story, with the potential for substantial further growth. The employment package is highly attractive and includes a quality car, non-contributory pension, private health insurance and relocation assistance to one of the most attractive working locations in the UK.

C.W. Theaker, Hoggett Bowers plc, *13 Frederick Road, Edgbaston,* BIRMINGHAM, B15 1JD, 021-455 7575. *Ref: B12011/FT*

Finance Director Designate
Service Industry
South Midlands, c £25,000, Car

The success of this company is founded on a highly marketable and practical range of software products for small and medium sized firms. This business remains highly competitive and there has also been some diversification into associated fields, which is also producing good returns. The future holds the prospect of continued growth, as well as consolidation in current markets. The Finance Director Designate will play a key role in the company, not only through the development and control of all aspects of the accounting function, but as a member of the senior management team. A board appointment will follow a successful settling in period. Candidates should be qualified accountants with several years' senior level experience of all aspects of the accounting function. A sound overall understanding of business is essential, together with large measures of enthusiasm and determination to succeed. Terms of employment are very attractive and include an executive car, as well as the usual benefits associated with a successful company.

C.W. Theaker, Hoggett Bowers plc, *13 Frederick Road, Edgbaston,* BIRMINGHAM, B15 1JD, 021-455 7575. *Ref: B12010/FT*

Management Accountant
Retail Merchandise
North West, To £22,000, Car

An opportunity to display creativity and inventiveness in the development of management information systems for the Merchandise Division of this most successful mail order company. Responsibility is to the Merchandise Operations Manager with a functional link to the Chief Accountant. Great emphasis will be placed on the ability to liaise with senior management, with particular regard to budgets, costings and real departmental contribution to company profitability. Candidates, aged late 20's to mid 30's, must be qualified accountants with commercial experience preferably gained in a consumer product environment, utilising advanced computer systems. The appointee should be a good communicator, highly numerate and keen to accept a challenge. Career opportunities are excellent within this diverse international group.

R. Webster, Hoggett Bowers plc, *St. James's Court, 30 Brown Street,* MANCHESTER, *M2 2JF*, 061-832 3500. *Ref: M17002/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Into merchant banking via audit & compliance?

City, to £30,000 + car + banking benefits

C&L

Established in London in 1984, our client's International Merchant Banking operations continue to grow apace and this has now led to a challenging opportunity to create an Audit and Compliance facility from scratch.

As Manager of this new function, reporting directly to the Managing Director, you will have full responsibility for the establishment of comprehensive Internal Audit procedures and their subsequent implementation. You will also be responsible for installing and operating procedures to ensure that the firm's activities comply with the requirements of the financial services regulatory bodies.

A Chartered Accountant aged around 30, you will almost certainly have trained with a major international firm. You must have experience of the financial services sector, preferably merchant banking, and have had good exposure to computerised financial systems. A self starter, you must be innovative, forceful and a good communicator, yet be happy to work in the informal environment of a small but growing organisation.

Long term prospects for a move into the banking sector are excellent, movement between disciplines being positively encouraged.

Résumés, including a daytime telephone number, to Torrance Smith, Ref. TS662.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

FORMWOOD LIMITED

FINANCIAL CONTROLLER

circa £16,000 plus car

Formwood Ltd. is the UK market leader in open cell ceiling systems and about to enter a significant and exciting new phase of development involving a major expansion of its manufacturing activities. To augment its highly-professional management team, it is seeking a young, self-motivated accountant to head a small team responsible for all management and financial accounting functions including budgeting, cash management and the development of strategy.

The successful applicant will be fully qualified with at least two to three years' experience in a manufacturing environment and will report directly to the Managing Director.

Based in a pleasant area of Gloucestershire within easy reach of the M4 and M5, Formwood Ltd., which employs 250 people, is part of the fast-growing Mallinson-Denny timber group, one of the largest companies in its field. The position offers ample opportunity for career development both locally and nationally. The usual large company benefits include a contributory pension scheme, free life cover and private health insurance, as well as an attractive salary and fully-financed car.

If you are the dynamic professional we are looking for, please apply in writing to:

Mrs. C. Heedless, Group Personnel Manager
MALLINSON-DENNY LIMITED
Malden House, Radlet Road, Park Street
St. Albans, Herts. AL2 2EE

MALLINSON DENNY

AMBITIOUS ACCOUNTANT...

who is ready (and eager) for greater responsibility.

Candidates should be fully qualified and have at least eight years relevant commercial experience.

We are a privately owned group of small companies with an excellent reputation. Engaged in a high-growth industry our expansion plans include a USM listing, we seek therefore someone to input the financial expertise and management to aid this end.

We envisage offering a salary of circa £20,000 together with a company car. If this is the sort of challenge that appeals to you please write now with your full CV to:

The Managing Director
Sentinel Security Group
Sensec House, 144 Maidstone Road,
Footscray, Sidcup, Kent.

Financial Accountants

Could you meet the challenge of expansion?

At Scrimgeour Vickers we're experiencing a period of rapid expansion. Our activities range from market making to international dealing and institutional sales and we're now recruiting more Financial Accountants who, like us, are determined to succeed.

We're looking for intellectually able, computer literate Chartered Accountants with 5-8 years' post qualification experience. Your comprehensive responsibility will involve the review and restructuring as necessary of settlement accounting; the implementation of divisional reconciliation and control procedures; regular reviews of accounting standards, and assistance in the production of new information systems. In addition we'll expect you to contribute to the production of financial management information and to assist divisional management in the entire financial planning process.

We're looking for skilled personnel who can work well under pressure and can handle change with ease – because Scrimgeour Vickers is aiming for constant development, constant improvement in the quality of service offered to our clients. The rewards for these key positions are of the very highest quality and successful candidates can expect to move rapidly into senior line management positions within Scrimgeour Vickers. If you relish a challenge of this nature, please write to Sue Bertram-Smith at Scrimgeour Vickers & Co., 20 Copthall Avenue, London EC2R 7JS.

Scrimgeour Vickers & Co.

Member of the Stock Exchange

FINANCIAL CONTROLLER

Central London £20,000 + Benefits

We are a rapidly expanding entrepreneurial group of companies with international connections and public intentions.

Our major activities in the U.K. include property development, financial services and running prestigious restaurants in London.

We intend to join the USM within 2 years with at least one of our divisions and now wish to strengthen our management team with a young, dynamic Financial Controller.

Reporting to the Managing Director you will have responsibility for all aspects of financial control and accounting functions within the group, including statutory and management accounts, budgets and cash flow forecasting.

You will be expected to develop the above systems in line with the growth of the group and contribute towards its general advancement. You will be a key participant when we go public.

Candidates will be, ideally, graduate Accountants, around 30, with recent management reporting experience; used to working under pressure and meeting deadlines in a demanding commercial environment.

You should be an achiever with drive, vision and commitment.

This is a career opportunity. The prospects are excellent, join us before we are out of reach.

Send detailed C.V. and current remuneration to:

Managing Director
WILLOWBUSH LIMITED
10a Market Mews, London W1Y 7HG.

Financial Controller/ Administrator

London EC4 c£30,000 + car

Our client is a medium sized City firm of solicitors that offers a wide range of legal services to a well established client base, including international commercial organisations, and professional bodies and institutions in the UK.

Reporting to the Senior Partner and having salaried partner status, the main role for the appointee will be to manage and further develop all the financial and administrative functions of the Partnership on a cost effective basis, including the computing systems.

The successful applicant will be a qualified accountant, aged over 30 with management experience in a professional organisation.

Experience of computer systems and a wide range of administrative activities is essential.

Please write in confidence submitting a curriculum vitae and quoting reference 9227 to:

Peter Childs,
Pannell Kerr Forster Associates,
New Garden House,
78 Hatton Garden,
London EC1N 8JA.

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

FINANCIAL MANAGEMENT

IN ELECTRONICS MANUFACTURING

c. £23,000 + car — Midlands

A first-class opportunity has arisen for a qualified accountant to make a significant contribution to the management of a £30m t/o manufacturing operation. The unit, which belongs to a division of a blue-chip public group, manufactures sophisticated, high-value state-of-the-art equipment and enjoys a high level of autonomy.

The Chief Accountant reports to the General Manager. This is the most senior financial position at the unit and carries responsibility for optimising its financial performance and profitability. The Chief Accountant also provides the financial input to major policy and investment decisions, and will be heavily involved with the implementation of new mainframe computer systems throughout the operation.

The role also involves maintaining the financial controls required by a major organisation and the supervision of an accounts department of 30.

Candidates must therefore be experienced in accounting at senior level for complex manufacturing operations, and in using and developing the computer systems that support them. They should have an understanding of contract accounting and be used to managing staff. They must be tough but diplomatic and should communicate well both orally and in writing.

A salary of around £23,000 is offered plus car and relocation assistance if required.

Please write in confidence, with full career details, quoting reference 3111 to Joanna Corr.

KPMG Peat Marwick McLintock

Executive Selection and Search
70 Finsbury Pavement, London EC2A 1SX

FINANCIAL DIRECTOR

c. £25,000 + CAR

The position will appeal to a well qualified and experienced Ford Dealership Accountant with knowledge of the D.A.R.T.S. System. Our client is part of an expanding, well financed group of companies and the appointment has been created resultant of restructuring and reorganisation. In this position, you will not only be expected to manage the financial affairs of the company but also play a major role in the new management team. Location is North England, the remuneration package is negotiable, c£25,000 plus company car and benefits. Applicants should write with full CV in absolute confidence, or telephone for more information

(0753) 889082 (24 hour answering)

BRIAN SMITH ASSOCIATES
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Treasury Operations

Dynamic Retail Group

West End

This client has recently undergone a major transformation with new dynamic management developing an aggressive presence within the retail sector. The group, a well-known household name, with £2bn turnover, is pursuing rapid growth, both organically and through acquisition.

An enhanced Group Treasury function, providing professional support to group operations and exploiting state of the art systems technology, is now being implemented, involving two new appointments.

Assistant Treasurer

£30,000 + car

This role has specific responsibilities with respect to debt structures, facility planning and utilisation, funding strategies, money market and fx dealing with the objective of minimising the cost of funds utilising imaginative techniques. Candidates should be good communicators having relevant experience within a large organisation. Age indicator 27-32.

Treasury Systems Manager

c£24,000 + car

This role embraces the selection, implementation and maintenance of a fully integrated multi function treasury information system; responsibility for group cash forecasting and treasury accounting requirements. Candidates should be innovative, extrovert diplomats. Age indicator 25-30.

Please write enclosing full resume quoting ref 128 to:–
Nigel Hopkins F.C.A.
97 Jermyn Street
London SW1Y 6JE
Telephone: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

FINANCE DIRECTOR ADVERTISING

Central London

ACA's 30-35 — TO £40,000 + car

Our client is a successful marketing and advertising group seeking to recruit an exceptional Finance Director. He/she will take responsibility for financial and management accounts, budgets, cash flow forecasting, credit control, treasury, taxation and the firm's in-house computer. The plans for growth include an active acquisition programme and elements of diversification.

Candidates should have at least controllership experience in an advertising/client services environment. Personal qualities should include not only technical excellence and first class communication skills but also the ability to work with highly creative entrepreneurs.

The company plans to float within five years and the Finance Director will be eligible for attractive stock options.

Should you wish to be considered, please write enclosing a C.V. to **George Ormrod B.A. (Oxon)** or **Stephen Hackett B.A. (Oxon)**, Douglas Llambias Associates at our London address quoting reference **No. 7606**.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R ONS TELEPHONE: 01-836 9501

CIRCA £25,000 NEGOTIABLE

FINANCIAL CONTROLLER

International Operations
Relational Technology International

A leader in the relational database software industry, RTI has enjoyed phenomenal growth in the UK market which has created the opportunity to further develop our international operations.

Reporting directly to the Director of International Sales and Marketing, the FC will immediately form part of a small Chelsea-based management team. Neither the position nor the finance team presently *exist and thus you will be a self-starter who is prepared to roll up his/her* sleeves to get the ball rolling.

He/she will also periodically have the opportunity to gain valuable international management experience by assisting the Financial Director of non-US operations in the performance of various group management tasks.

Pre-requisites for the candidate:

1. A demonstrable knowledge, through hands-on experience of international business activity.
2. A major Accounting Qualification.
3. Experience in computerised accounting systems.
4. An indestructible sense of humour.

It would also be useful if the candidate could speak at least one other European language.

The position offers a package in the mid £20,000's comprising salary and performance related bonus scheme. We shall also offer a company car, stock options, BUPA, contributory pension scheme and four weeks holiday (not including statutory holidays).

If you are looking for a challenge and career development as RTI grows, please write including both your C.V. and salary history, and explain how you fulfil the first pre-requisite to: Mr R.E. Shand, Financial Director, Relational Technology International Ltd, Anchor House, 15-19 Britten Street, London SW3 3TY.

RTI
Relational Technology

PARK

Financial Controller for Europe

c£34K + prestige car — Windsor

My client is a genuinely pan-European organisation operating in the high-technology field. Its pedigree is immaculate and it is currently enjoying a turnover of £64m. It will continue to build on its success and increase in stature in the International Marketplace.

The International Headquarters are based in Windsor with wholly owned subsidiaries throughout Europe and Scandinavia.

Product areas are varied but include Computer peripherals and highly sophisticated Instrumentation products.

This is a dual role as you will provide a total accounting and central service to the group – including historical accounting, statistical reporting and management accounting – and support the operational directors of the subsidiaries in various aspects of financial management.

You are a qualified accountant with exceptional ability in the above and first-class interpersonal skills, including diplomacy, and prepared to travel.

For the level of responsibility demanded it is unlikely that candidates will be under 30. For you, this will be an opportunity to operate in a dynamic environment on an International basis.

In addition to the salary and car, the company offers an excellent benefit package.

In the first instance, contact William Ling for a totally confidential discussion on 01-380 0323/0454, or if you prefer write to him in confidence, enclosing a CV and companies to which you would not wish your application forwarded. Park Sales & Management Consultants Ltd, 174-176 North Gower Street, London NW1 2NB.

International Audit Management

South London – Circa £20,000 + Car

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Relocation will be paid if necessary. Interviews will be held locally where convenient.

Please contact Lawrence Barnett or Dudley Harrop at our Manchester office quoting ref. no. B116

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Candidates should ideally be ACA's in their late 20's with at least two years post qualification experience outside the profession. Exposure to an international accounting environment and/or systems development work would be advantageous.

This is a rare opportunity for a young accountant to join an expanding Plc at an early stage of its development.

For more information contact Adrian Barrett, or send your CV to the address below.

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Applicants will be qualified accountants, preferably Chartered, aged 28 or over with some experience in the property sector, an understanding of microcomputer systems and the personal qualities appropriate to high level contact with external advisers and the group.

For a full job description, please write to W T Agar at John Courtis & Partners Ltd, 104 Marylebone Lane, London W1M 5FU, demonstrating your relevance clearly and quoting FT/2270. Both men and women may apply.

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Electronic Components

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The responsibilities cover three broad areas:—

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Applicants, male or female, should either write or telephone quoting reference B2667.

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(F.D. Designate)

North London *c. £22K + car*

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Areas of activity include financial and management accounting, the development of systems, interpretation of information, preparation of budgets, planning and forecasting. Candidates will be assertive, articulate and ambitious and will expect to make an early *contribution* to the growth of the business. A small staff reports.

For full job description, write in confidence to Mark Lockett quoting reference and showing clearly how you meet our client's requirements.

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MLR,
1 New Bond Street,
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Ref. 631/FT.

Financial Accountant

London **To £23K**

Our client is a major player in the international telecommunications arena, *generating a substantial and highly profitable turnover from* the global network, and providing excellent career opportunities for the ambitious financial executive.

As Financial Accountant, you will have prime responsibility for statutory accounts, leading a small team concerned with consolidations, transfer charging, and fixed assets; tax will constitute another significant dimension.

Candidates must be qualified accountants with good commercial experience in Financial Accounting, preferably in a large company. *The preferred age range is 25 to 32.*

Applications, please, in confidence, quoting ref 307/1F to Charles Barker MSL, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

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Swaps Accountant

c. £25,000+benefits

Our client is the Merchant Banking subsidiary of a major U.K. bank. It holds a prestigious position in the international investment banking world where it is involved in most principal areas of activity.

They require a qualified accountant with some two to three years post-qualification experience to work within the Swaps Team in the International Capital Markets Group, to advise on swap-related transactions and their financial accounting implications. This is a new appointment within the Bank which offers excellent career prospects.

The ideal candidate will be able to demonstrate technical familiarity with swaps, securities and treasury instruments from *a financial accounting rather than an auditing stance*. You must have the flexibility to work in a creative, entrepreneurial business with the personality to fit into a fast moving trading environment.

The ideal background for the person we seek will be orientated towards the City, most probably gained in a financial institution. However, candidates currently within the accountancy or consultancy professions will also be *considered provided they have relevant technical experience* gained through working on behalf of banks or securities companies where trading activities constitute a substantial part of the business.

Candidates are invited to write to Eve Wernly who is advising on the appointment quoting reference 1775 and enclosing their curriculum vitae. All applications will be treated in strictest confidence.

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Salary £20,000+Bonus+Banking Benefits

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Working as a member of a small specialist team, responsibilities will include the financial and management reporting of the bank's treasury operation. This includes trading activities in Foreign Exchange and Euro CDs, which will involve working in close liaison with Dealers, Settlements and the mainstream Accounting staff.

Candidates must be Chartered Accountants (aged 22-27) with a range of experience, ideally including Banking/Financial Services Audits. The successful applicant will be *flexible* in approach, *with excellent interpersonal skills and a strong commercial* awareness.

Career prospects are likely to be outstanding for a person willing and able to make a major contribution to the Bank. Financial rewards go hand in hand with achievement.

For further information please write, enclosing personal details, or telephone Susan Ross

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Write Box A0502, Financial Times
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- A willingness to travel overseas.

The Job offers you

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Si usted está interesado en alguna de nuestras ofertas, por favor escríbanos, reseñando el puesto a que opta, adjuntando su historial académico-profesional, al Apartado de Correos No. 1,218, Madrid (España). Se guardará la más absoluta confidencialidad. (Indicar en sobre Ref. BUR.)

GROUP FINANCIAL CONTROLLER

South West London c.£30,000+car

Our clients are a small group of companies with distribution and maintenance interests in the telecommunications sector. They now wish, as part of a restructuring of management, to recruit a group financial controller. Responsibility will be to the Group Managing Director and the main tasks will be to develop financial systems, effective financial planning and tight monitoring of cash flow. Enhanced computer systems, particularly for the control of stock and debtors, will require implementation, and subsidiary company accounting staff will need close supervision.

Candidates, with an appropriate accounting qualification, must have the maturity and experience to impose a strong grip on all financial aspects of this young, entrepreneurially run business. The successful candidate will contribute positively to the development of corporate planning, help establish good relationships with shareholders and City institutions and share in the group's success.

Please write in confidence, with full career details, quoting reference 3735/L to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search

165 Queen Victoria Street, Blackfriars, London EC4V 3PD

COMPANY ACCOUNTANT

SURREY

c £20,000 + car + benefits. Age 30-40

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An opportunity has arisen for a Company Accountant to join the management team and handle all aspects of the company's management and financial accounting. A particular need is for the accountant to be able to provide meaningful management information to the company's decision makers on a regular as well as an ad hoc basis.

The ideal candidate will probaby be a qualified accountant, preferably ACMA. Good interpersonal skills are required as the position involves direct contact with customers and the supervision of staff. Familiarity with computerised accounting systems is highly desirable. An ability to speak German would be a distinct advantage but training will be given to a suitable candidate.

Please reply in confidence with full CV and handwritten covering letter to:

B. E. Ayres, Ref W168,
MOORES & ROWLAND
50 St. Andrew Street, Hertford SG14 1JA

CV HUMAN RESOURCES

AUDIT/TREASURY MANAGER

West London c £17,000 p.a.

A major $5 billion turnover multi-national pharmaceutical, toiletries and household products manufacturer needs a qualified accountant for a key role in financial management.

You should be in your mid to late twenties, be self-motivated and have excellent communication skills, and be used to the demands of a fast moving company. Reporting to the Group Chief Accountant you will manage the internal audit and be responsible for all corporate, legal and group requirements conducting continuous checks and developing protection systems. Treasury responsibilities will focus on cash management and forecasting. Your background must include experience of auditing and computerised accounting, and you should have had some exposure to treasury activities.

The company provides "blue chip" benefits with ample opportunity for career development. Ref: 1/10/1

C.A.R.E. Ltd.,
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575 7070

Financial Analyst

Expanding Oil and Gas Company

c.£23,000

London

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Candidates will probably be qualified Accountants aged between 26-32, with several years commercial experience, ideally gained in an oil/gas related environment. Well developed communication skills, good listening and persuasive abilities, and the flexiblity to respond quickly and efficiently to the changing needs of a forward looking organisation are essential.

This role demands a high level of personal motivation and commitment and in return the company can offer excellent promotional prospects in a stimulating environment.

Please reply in confidence giving concise career, personal and salary details, quoting **Ref ER926** to **Judith Richardson, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

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Applications will be treated in total confidence and should be sent to M. Arbib, FCA, Chairman, Perpetual plc, 48 Hart Street, Henley-on-Thames, Oxfordshire RG9 2AZ.

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Morgan Grenfell Asset Management (MGAM), a wholly owned subsidiary of Morgan Grenfell Group plc, is one of the largest investment management companies in London with a total of £16 billion funds under management. We are now seeking a Chartered Accountant with 2/3 years post qualification experience who will deputise for the Head of Fund Management Administration and also assume responsibility for a variety of computer related projects.

The position is ideally suited to someone who would like to use their chartered accountancy training as a springboard to a demanding career in financial services management. The successful candidate will be expected to develop into an effective deputy to the Head of Fund Management Administration ultimately assuming direct operational responsibility for a significant part of the area. Initially the candidate will assume responsibility for various projects, the main objectives of which are to enhance current procedures and improve the service offered to clients and external custodians.

Applicants should have gained exposure to micro or main frame based computer systems, ideally in a financial services environment.

Salary will genuinely not be a barrier for the right candidate. The package will include a mortgage subsidy, non-contributory pension scheme and free BUPA. Applications in confidence, including full CV should be sent to:

Marc Hoodless, Personnel Officer,
Morgan Grenfell Asset Management Limited,
46 New Broad Street,
London EC2M 1NB

MORGAN GRENFELL

Financial Controller

West London c. £22,000+Bonus+Car

We are a leading independent regional newspaper publisher based in West and North-West London. An energetic and experienced financial controller is required to take responsibility for the overall financial management of the company. Key areas of responsibility are the preparation of monthly reports, statutory accounts, forecasting and systems development.

Candidates (aged 27-37) will be qualified accountants with a track record of financial management. There will be significant exposure to institutions so good communication skills will be vital.

This new role offers excellent scope for career development and means involvement in financial and administrative matters at the head office and the three operating divisions.

Interested candidates should write, enclosing a curriculum vitae, to:

Mr. Gareth Clark, Finance Director
MIDDLESEX COUNTY PRESS LIMITED
Press House, Rockingham Road, Uxbridge, Middlesex UB8 2YW

FINANCIAL ANALYST
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Some Travel Involved—Outstanding Prospects

Newly formed company with substantial investment funds at its disposal requires a financial analyst preferably with 2 to 3 years experience in an appropriate financial area to examine, monitor and control financial aspects of proposed acquisitions.

Reporting directly to the executive Director responsible for mergers and acquisitions you will have excellent future prospects and will be required to undertake some travel from a London base.

Interested applicants should initially reply in writing to:

The Director
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Putting our natural modesty to one side for a moment, there is probably nowhere better to achieve your goals than with Touche Ross Management Consultants. Following an initial training period you could, for example, be working as part of a team advising on a major organisation study, a management information system, or a profitability review for a bank, venture capital company or newspaper publisher.

On the other hand you may be involved in a privatisation study or a review of a merger or acquisition. The permutations are endless but without exception provide the challenge and stimulus for your developing intellect and the momentum to maintain your upward progression.

Firstly though, you will of course need to show us a successful record of problem solving achievement, supported by a positive personality and a strong commitment to work excellence in a team environment. Quickly demonstrate these qualities in an informal and confidential meeting and you can rest assured that *our* head will be very much turned in your direction.

Starting salaries are negotiable to around £30,000 and a company car comes too. Interested? Then please write (horizontal fashion preferred) with full CV to: Michael Hurton (Ref. 4000), Touche Ross & Co., Thavies Inn House, 3-4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Touche Ross
Management Consultants

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday April 23 1987

Montedison trebles its earnings to L320bn on lower sales

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals concern which recently came under the effective control of the Ferruzzi agro-industrial group, last night reported a nearly trebled 1986 consolidated net profit of L320bn ($246m).

The 1986 net profit, which compares with L113bn in 1985, was struck on group consolidated turnover which declined by 9.2 per cent to L12,834bn. The drop in sales was caused by lower prices for energy, fertiliser and other products.

The Montedison board yesterday admitted two more executives from Mr Raul Gardini's Ferruzzi group, bringing their number to four, out of a total of 15 directors.

Two members of the Varasi Family, which has sold out its Montedison shares to Ferruzzi, left the board. Ferruzzi has spent around $1.7bn since last autumn to build up a 40 per cent equity stake in Montedison, giving it effective control.

Mr Gardini's goal is to secure an absolute majority of eight of the 15 board seats, which he is expected to do at the group's annual meeting on May 26.

Despite the sharp improvement in earnings last year Montedison said it was proposing an unchanged dividend of L40 per ordinary share and L60 per savings share. Due to the increased number of issued shares the dividend payout will cost L115bn for 1986 against L45bn in 1985.

The group Montedison debt at the end of 1986 was L4,240bn ($3.3bn), against shareholders' funds of L4,859bn. This means that the debt-equity ratio has dropped from around 2-1 at the end of 1985 to below parity at present. This is thanks largely to Montedison's huge 1986 fund-raising programme on the Milan bourse.

The group last year spent L310bn on research and development, around the same as the previous year. Its average labour costs rose by 2.7 per cent. This rise was modest because of a 4 per cent reduction in the total workforce. The group slimmed its workforce by 3,000 people, ending up with a total of 66,649 at year-end.

"The drop in turnover was felt most sharply in the energy sector, which with L2,881bn of 1986 revenues recorded a fall of 34.7 per cent. Chemicals turnover was down by 10.2 per cent to L6,673bn, services (including financial services and retailing) turnover rose by 9 per cent to L2,774bn and pharmaceuticals turnover declined by 6 per cent to L1,236bn.

Wall Street firms turn in strong results

By David Owen

TWO LEADING Wall Street securities firms yesterday reported increased first quarter earnings, largely thanks to continued equity market buoyancy.

E.F.Hutton, which has been striving to cope with a string of financial and legal problems recently, boosted net income to $66.1m or $2.01 a share on revenues of $871m in the latest quarter from $40.1m ($1.27 a share) on revenues of $730m a year earlier.

Morgan Stanley, meanwhile, had net earnings of $64.3m ($2.54 a share) against $58.0m ($2.92 a share) last year.

In the latest quarter, an average 27 per cent more shares were outstanding, reflecting the firm's initial March 1986 stock offering. Revenues advanced strongly to $747m from $589.6m over the same period.

For E.F.Hutton, the figures mark a return to profitability after its $133.6m fourth quarter 1986 net loss.

Net income for the latest quarter includes an extraordinary credit for the recognition of a tax benefit carryforward of $26.8m. The corresponding 1986 period includes a similar tax credit of $5.2m.

Sharp rises in commissions and investment banking revenues, an area which has proved highly profitable to several competitors including Morgan Stanley, largely paced the firm's improvement. Commissions rose to a record $278.3m – up 16 per cent from a year earlier – while investment banking revenues reached $101.4m – up 68 per cent.

Morgan Stanley, meanwhile, continued to benefit from the rapid movement into foreign markets, attributing growth to "buoyant worldwide equity markets, increased financial advisory activity and generally higher securities sales and trading volumes across a broader global product and client base."

SWEDISH GAS GROUP SWOOPS ON DUFFOUR ET IGON

Aga enters the battle

BY SARA WEBB IN STOCKHOLM

AGA, the Swedish industrial gas group,yesterday joined the bidding battle for Duffour et Igon, France's second largest industrial gas producer, with an offer worth FFr 446m ($77.6m).

Aga's offer of FFr 3,500 per share tops earlier offers by leading players in the industrial gas market.

A couple of weeks ago, Union Carbide of the US bid FFr 2,100 per share. Carburos Metalicos, the Spanish gas producer in which Air Products of the US holds a minority stake, bid FFr 2,205 per share.

Last week, Linde of West Germany offered FFr 2,585 per share. Duffour et Ignon's shares were recently quoted at about FFr 2,700.

Aga already has a subsidiary in northern France with annual sales of about SKr 200m ($32.2m).

The Swedish gas group claims to have about 3 per cent of the industrial gas market in France, which is dominated by L'air Liquide with a 70 per cent share.

However, if Aga succeeds in its bid for Duffour et Igon, it will have a 10 per cent market share in France and a much stronger presence in southern and south-west France.

"Geographically, Duffour is a perfect complement," said Mr Lars Salomon, Aga's regional head in Europe.

Aga is interested in increasing its presence in France, which is Europe's second largest industrial gas market after West Germany, and worth between SKr 5bn and SKr 6bn.

Duffour et Igon's net income for 1986 is estimated at FFr 14m. Sales were FFr 370m last year and are expected to be at that level in 1987.

Aga has already increased its West European presence in recent months with the $124m takeover of Rommenhoeller, the Dutch carbon dioxide producer.

It ended its 15-year-old joint venture agreement with L'Air Liquide in West Germany and the Benelux countries from the beginning of 1987, with Aga keeping control of the West German and Netherlands companies.

Baxter Travenol advances to $64m in first quarter

BY OUR FINANCIAL STAFF

BAXTER Travenol Laboratories, the big US health care group, yesterday reported first quarter earnings of $64m or 23 cents a share against $49m or 15 cents in the same period of 1986.

Sales rose from $1.34bn to $1.41bn. The company said stronger currency values contributed about $33m to its international sales of $303m. Domestic sales for the latest quarter rose to $1.1bn.

Hospital products and services sales advanced 5 per cent over last year to $806m while medical systems and specialities products sales increased 4 per cent to $329m, Baxter Travenol said.

The company said it was continuing to implement cost cutting programmes and was on track combining its operations with American Hospital Supply, the medical equipment group which it acquired in November 1985.

● A little-known investor group has withdrawn its $3.85m bid for Hospital Corporation of America, indicating it was unwilling to go ahead in the face of the company's opposition.

Last week HCA's board reiterated it did not think the $47 a share proposal was in the best interests of its shareholders but did not respond to it, citing scepticism about the investor group's ability to consummate the acquisition.

The group consisted of Mr Charles Miller, former president of Dallas-based Republic Health; Mr Richard Ragsdale, Republic Health's former chief financial officer; and Mr Richard Scott, a Dallas lawyer.

Mr Miller said the proposal had been intended as "a friendly overture"

Finsider to sell off cement unit

By Alan Friedman in Milan

FINSIDER, the Italian state steel concern which is part of the IRI state holding group, is to dispose of Cementir, the cement subsidiary, in what is expected to be an important privatisation.

The privatisation is a part of an IRI-Finsider strategy of restructuring the deficit-ridden steel group.

It is not known how much IRI-Finsider expects to raise by selling its 51per cent shareholding in Cementir, which is quoted on the Milan bourse. The company's total market capitalisation at its present share price is L322bn (US$248m).

Paribas, the French merchant bank, has been given the mandate by Finsider to evaluate the privatisation. A report is expected towards the end of next month.

This is Paribas's second such mandate from an Italian state industry in recent months. The first was to evaluate and prepare the ENI state energy group's privatisation of its Lanerossi textiles subsidiary.

Cementir, Italy's third biggest cement producer after the Agnelli family's Unicem and the Pesenti family's Italcementi, employs about 1,650 workers at six factories in Liguria, Tuscany, Umbria, Campania and Puglia and at a distribution centre in Reggio Calabria.

Mobil income slips to $252m

BY WILLIAM HALL IN NEW YORK

MOBIL, the second biggest US oil company, yesterday reported a 43 per cent drop in first quarter net income to $252m, or 62 cents per share, from $440m or $1.08, although its revenues fell by only 8.6 per cent to $12.7bn.

Mr Allen Murray, chief executive, said that during the first quarter crude oil prices increased, primarily attributable to the impact of the Opec production accord established at the December 1986 meeting.

However, downstream margins declined because of the rising crude oil prices coupled with pressure on product prices due to high inventory levels.

In the latest quarter, crude oil and natural gas prices were still below their year-earlier levels and downstream margins were lower. In 1986, crude prices dropped dramatically while producer prices dropped more slowly, resulting in significantly higher margins than in the current quarter.

This was partially offset by Mobil's natural gas production and petroleum product sales, which rose 11 per cent and 1 per cent respectively in the latest period compared with a year ago.

Mobil says that its chemical operations had a record quarter, earning $43m, and its Montgomery Ward retail operation earned a record $8m as it continued to "realise the benefits of the restructuring programme."

On the US exploration and production side, Mobil earned $81m, some $98m down on the year ago quarter. However, its foreign exploration and production operations improved $47m helped by the benefits of higher natural gas production, reduced exploration expense and lower tax rates.

On the downstream operations, US refining and marketing earnings fell $48m while overseas refining and marketing earnings fell $130m, with the bulk of the decline occuring in Europe and Japan.

● AMOCO, the big Chicago oil company which has launched a $5.1bn takeover bid for Canada's Dome Petroleum, has reported a 21 per cent decline in first quarter net income to $260m, or $1.02 per share.

Mr Richard Morrow, Amoco's chief executive, blamed the drop in earnings on crude oil prices which were "significantly lower" than the average prices realised in the same period of 1986, reduced liquids production and depressed results for the group's refining, marketing and transport operations.

Earnings of the group's US exploration and production (E & P) segment fell from $153m to $58m in the first quarter but overseas E & P earnings rose from $89m to $114m. The refining and marketing operations posted a $5m loss in the first quarter of 1987 compared with a $19m profit in the same period of last year. Chemical earnings were $16m higher at $88m.

Group revenues in the first quarter fell 12 per cent to $5.2bn and capital and exploration spending dropped from $857m in 1986 to $493m in the latest quarter.

Merrill Lynch bid accepted

BY DAVID OWEN IN NEW YORK

SUPERMARKETS General, the US east coast retailer recently pursued by the Dart Group in a $1.8bn takeover offer, has agreed to be acquired by an investment group led by Merrill Lynch Capital Partners and members of the company's senior management.

Under the agreement, which was unanimously approved by the Supermarkets board, a new corporation will begin a cash tender offer valued at $1.53bn for some 85 per cent of the company's outstanding common stock at $46.75 per share.

The company's shares, which have dropped from a peak of more than $45 since Dart withdrew its sweetened bid earlier this month, were trading at $41¼ yesterday

The New Jersey food retailer, which has Pathmark stores in the New York, Philadelphia and Boston areas, has been criticised for its lack of definitive response to the Haft family-controlled Dart Group's repeated offer.

Last month, the company released a statement accusing Dart of "misstatements and inaccuracies," adding that "propaganda and misstatements will not panic our board – or us – into shirking our responsibility to our stockholders, employees, customers and suppliers."

Two days before the statement, the company released its annual results, which showed that, after expanding rapidly for several years, the group's earnings growth rate slowed considerably in its 1986-87 fiscal year.

Inco and Falconbridge losses

BY BERNARD SIMON IN TORONTO

FALLING NICKEL prices, foreign exchange losses and lower production levels offset improved returns from precious metals to push Inco and Falconbridge, the Canadian nickel-based mining groups, into the red in the first quarter of 1987.

Inco, the world's biggest nickel producer, suffered a US$5m loss, equal to eight cents a share, compared with a loss of US$2.1m or six cents a year earlier.

Sales rose slightly to US$381m but revenues from alloys and engineered products fell from US$111m to US$97m.

Falconbridge's loss before extraordinary items was C$15.4m ($11.8m), or 24 cents a share, compared with C$17.1m or 31 cents. The company ralised a one-time gain of C$43.4m from the sale of its 49 per cent interest in South Africa's Western Platinum. Revenues fell from C$292m to C$258m.

As part of efforts to expand its precious metal interests, Inco announced plans to proceed with a joint venture to build a C$74m gold mine in the Casa Berardi area of western Quebec. Inco will have a 60 per cent stake in the project, with the remainder held by Golden Knight Resources of Vancouver. The mine is due to start operations in 1991 with an annual output of 85,000 ounces.

Inco said that a drop in first quarter nickel prices from US$2 per 1b (including intermediates) to $1.80 cost it $20m in lost revenues and operating income. In addition, lower production levels raised unit costs. Nickel prices are at their lowest levels since 1974.

Nonetheless, Inco's first quarter nickel deliveries rose from 98m lbs to 109m lbs. The company ascribed the increase to stronger demand and an improved market share.

Mr William James, Falconbridge's chairman, said that cash flow moved by C$8m for each five cent (US) per lb change in nickel prices. But nickel's contribution to Falconbridge's revenues has dropped by half since the acquisition last year of Kidd Creek Mines, a northern Ontario copper, zinc and precious metal producer.

Carrefour to link with But

By David Housego in Paris

CARREFOUR, the French supermarket group, strongly boosted profits last year and has announced a tie-up with But, the furnishings and household goods chain.

Net consolidated earnings rose by 25.8 per cent to FFr 654m on the strength of a 16.5 per cent increase in turnover to FFr 51.5bn.

The group's main expansion is directed abroad with Carrefour opening two stores in the US this year in Philadelphia and on Long Island, New York. The group owns 70 supermarkets in France and 43 abroad, including Spain, Argentina and Brazil.

Under the tie-up with But, Carrefour will be taking a 40 per cent stake in But Expansion, the holding company for the But group which will control But International.

Sandoz sued for SFr 100m

BY JOHN WICKS IN BASLE

SANDOZ, the Swiss chemical company, has received 460 claims totalling SFr 100m ($71.4m) because of the fire at a Sandoz store near Basle last November. The fire led to serious pollution of the Rhine.

Dr Ulrich Oppikofer of Sandoz said that 350 minor claims had already been "liberally" settled. The larger cases were still being processed.

The size of some claims had not yet been determined and new claims could still be received. Nevertheless, Sandoz was confident of meeting damages claims of between SFr 100m and SFr 500m from its own provisions.

The cause of the fire was not yet known. A report by the Zurich police was expected to be completed by the end of next month.

Sandoz, which lost 1 per cent of sales last year to SFr 8.36bn, due to the strong Swiss franc, booked a 9 per cent rise in turnover to SFr 2.39bn for the first quarter compared with the corresponding 1986 period.

This increase would have been much higher had exchange rates remained unaltered. According to Dr Alexandre Jetzer, the finance director, local currency sales rose by 28 per cent, or by 24 per cent after exclusion of high inflation markets. In the case of agro-chemicals, local currency turnover was double last year's first-quarter figure following the acquisition of Velsicol Chemical, Chicago.

After the first quarter's sales growth, which was above expectations, and "positive" profit development, Sandoz expects 1987 results to be "at least at last year's level."

In calendar 1986 the group's capital investments rose by 32 per cent to SFr 551m. About SFr 800m was spent on acquisitions. According to board chairman Dr Marc Moret, the company is looking at possible takeovers in such sectors as pharmaceuticals, chemicals, agro-chemicals and bio-chemicals.

Sandoz is also considering the setting up of a fermentation chemicals facility in the US. A decision is expected before the end of this year.

Shipbuilders changes

By Hazel Duffy in London

CHANGES at the top of British Shipbuilders were announced yesterday by Mr Paul Channon, UK Trade and Industry Secretary, following the retirement through ill-health of Mr Phillip Hares, chairman and chief executive.

Mr John Lister, formerly chairman of ICI Fibres Division, will become chairman and chief executive of British Shipbuilders on May 1. He will receive a salary of £65,000 ($105,780) a year plus a performance-related bonus.

Mr Maurice Phelps, who was acting chief executive at British Shipbuilders during Mr Hares' absence through ill health, will leave the corporation on May 4 to take up a post in the private sector.

Mr Phelps, board member for personnel and employee relations, will continue as a non-executive director.

Mr Hares was board member for finance until last May when he became chairman and chief executive.

Aluminium prices benefit Alcan

BY ROBERT GIBBENS IN MONTREAL

ALCAN ALUMINIUM, the Canadian-based international aluminium concern, is feeling the benefit of higher prices for ingot and fabricated products and says the outlook is favourable for the rest of 1987.

First quarter earnings were US$62m or 59 cents a share, up from US$32m or 32 cents a share a year earlier on revenues of US$1.54bn against US$1.45bn. The year earlier figures included US$27m in special gains.

Alcan has gone through a major restructuring in 1985 and 1986, including severe manpower cuts and corporate rationalisation. Lower overheads helped the first quarter and will continue to provide benefits through 1987.

Its first quarter shipment figures reflect the restructuring and also the sale of its European extrusion plans last year to Norsk Hydro. Total shipments of aluminium in all forms were 518,800 tonnes against 540,000 tonnes a year earlier. Fabricated shipments were 327,000 tonnes against 340,000 tonnes and ingot shipments 191,000 tonnes against 200,000 tonnes.

Margins on fabricated products were higher than a year earlier. Prices received for ingots, Alcan's largest volume product, were above the 1986 quarter but below the fourth quarter of 1986 due to currency factors and higher costs for scrap and purchased metals.

In the first quarter, earnings were higher in North America

AIBD BONDS INDICES

WEEKLY EUROBOND GUIDE APRIL 17 1987

	Redemption Yield	Change on Week	12 Months High	12 Months Low
US Dollar	9.028	3.154	9.619	8.440
Australian Dollar	14.367	−0.278	14.735	12.830
Canadian Dollar	9.903	4.341	10.840	9.372
Euroguilder	6.228	0.048	6.250	5.804
Euro Currency Unit	8.448	0.476	8.882	8.164
Yen	5.673	−0.351	6.702	5.218
Sterling	9.753	0.629	11.609	9.667
Deutschmark	5.965	−0.134	6.652	5.961

INTL. COMPANIES AND FINANCE

Capital Cities sharply ahead

By David Owen in New York

CAPITAL Cities/ABC, the media conglomerate formed last year after the Capital Cities $3.5bn takeover of ABC television network, reported a marked increase in earnings in the first quarter. The result excludes a $280m extraordinary gain in the first quarter of 1986.

However, the company warned that the improved results did not indicate that results for the balance of the year would necessarily improve. This was because of the seasonal nature of some operations.

In the latest quarter, net income was $23.9m, or $1.43 a share, compared with a token $1.97m profit before the extraordinary gain in the year-ago period. The gain resulted from the sale of various television and radio stations in transactions related to the ABC acquisition. Revenues advanced from $912.3m to $957.2m during the relevant period.

The company said its results reflect a revaluation in entertainment programming and sports rights at ABC from historic costs to fair market values.

Union Carbide makes advance

BY OUR NEW YORK STAFF

UNION CARBIDE, the US chemicals company in the process of restructuring after the 1984 Bhopal disaster and the subsequent abortive raid by Mr Samuel Heyman's GAF, has reported a sharp downturn in net income although income from continuing operations climbed 74 per cent.

Overall, the Connecticut-based company earned $66m or 51 cents a share at the net level in the first quarter, against $313m ($2.25 a share) a year ago.

The 1986 quarter included a $270m gain from a change in accounting for pensions, a $2m credit from income of discontinued operations and a $3m gain on disposals. Income from continuing operations in the period totalled $38m.

Sales in the latest quarter advanced 6 per cent to $1.68bn from $1.58bn last year.

The company attributed the improvement in earnings from continuing operations to a combination of lower hydrocarbon and energy costs, improved yields and manufacturing efficiencies, plants operating at near capacity rates and lower interest expenses.

Similar factors have been cited by several groups in the currently buoyant US chemicals sector to explain their own positive first quarter showings.

"Fundamentals are improving at Union Carbide," Mr Robert Kennedy, chairman, said. "Compared with income from continuing operations in the fourth quarter 1986, this quarter's income more than quadrupled."

Sulzer forecasts maintained results

BY JOHN WICKS

SULZER BROTHERS, the Swiss engineering concern, expects 1987 results to reach at least last year's level, Mr Pierre Borgeaud, the chief executive, said yesterday.

Results, however, could be jeopardised by developing countries', increased debt burden or unexpected exchange rate fluctuations at a time when market conditions were "more difficult, more demanding and tougher."

The group recently announced a 66 per cent rise in 1986 consolidated net earnings to SFr 67m ($44.6m), the highest in nine years. Group turnover remained virtually unchanged at SFr 4.55bn. According to Mr Erich Mueller, general manager, sales would have been some SFr 200m higher but for the exchange rate situation.

First quarter orders of SFr 1.16bn were almost equal to those of the corresponding period of last year despite the weaker dollar.

AMC moves into second quarter profit

By Anatole Kaletsky in New York

AMERICAN MOTORS, the US motor manufacturer which Renault of France recently agreed to sell to Chrysler for between $1.5bn and $2bn, has achieved profitability for the second quarter, with a net income of $23.4m or 12 cents a share.

In the first quarter of last year AMC made a loss of $18.9m or 20 cents. In the fourth quarter of 1986 AMC earned $20m or 10 cents, the first quarterly profit reported by the troubled manufacturer since 1984.

NORTH AMERICAN QUARTERLY RESULTS

ASARCO

Metals First quarter	1987 $	1986 $
Revenue	273.7m	291.6m
Net profits	†21.3m	†29.2m
Net per share	†0.95	†1.22

† Loss.

ELECTRONIC DATA SYSTEMS*

Computer services First quarter	1987 $	1986 $
Revenue	1.046bn	897m
Net profits	64.6m	55.6m
Net per share	0.53	0.46

* Owned by General Motors.

ENSERCH

Energy First quarter	1987 $	1986 $
Revenue	748.5m	785.4m
Net profits	21.5m	13m
Net per share	0.31	0.17

E-SYSTEMS

Military and commercial electronics First quarter	1987 $	1986 $
Revenue	316.3m	246.9m
Net profits	18.6m	14.3m
Net per share	0.53	0.47

FAIRCHILD INDUSTRIES

Aerospace, electronics First quarter	1987 $	1986 $
Revenue	140.6m	191.2m
Net profits	3.3m	52.2m
Net per share	0.02	2.73

FMC

Defence and oilfield equipment First quarter	1987 $	1986 $
Revenue	724.3m	752.3m
Net profits	29.3m	*25.7m
Net per share	0.54	0.15

* Restated to reflect change in pension accounting.

FREEPORT-McMORAN

Natural resources First quarter	1987 $	1986 $
Revenue	218.6m	155.5m
Net profits	12.2m	†133.2m
Net per share	0.18	†1.99

† Loss.

GENERAL SIGNAL

Instrumentation, controls First quarter	1987 $	1986 $
Revenue	385.2m	405.4m
Net profits	14m	20.2m
Net per share	0.49	0.70

GREAT WESTERN FINANCIAL

Savings and loans First quarter	1987 $	1986 $
Net profits	81.2m	70.8
Net per share	1.79	1.75

HOME FEDERAL

Savings and loans First quarter	1987 $	1986 $
Revenue	388.8m	296.9m
Net profits	27.2m	23.3m
Net per share	1.28	1.12

MCORP

Banking First quarter	1987 $	1986 $
Assets	7.4bn	1.7bn
Net profits	†10.2m	†119.9m
Net per share	†0.33	†2.90

† Loss.

NEW YORK TIMES

Media First quarter	1987 $	1986 $
Revenue	408m	375.4m
Net profits	41.7m	33.9m
Net per share	0.50	*0.42

* Restated for 2-for-1 stock split in 1986.

OLIN

Chemicals, metals, ammunition First quarter	1987 $	1986 $
Revenue	467.7m	451.4m
Net profits	24.5m	26.9m
Net per share	1.09	1.18

PAINEWEBBER GROUP

Investment banking First quarter	1987 $	1986 $
Revenue	629.4m	593.7m
Net profits	*32.6m	29.2m
Net per share	1.05	1.03

* Includes $2.5m charge.

PITNEY BOWES

Office equipment First quarter	1987 $	1986 $
Revenue	504.5m	442.4m
Net profits	41m	37.1m
Net per share	0.52	0.47

PUBLIC SERVICE ENTERPRISE

Utility First quarter	1987 $	1986 $
Revenue	1.23bn	1.31bn
Net profits	157.5m	161.7m
Net per share	1.17	1.23

ROCKWELL INTL.

Defence, aerospace Second quarter	1986-87 $	1985-86 $
Revenue	3.176bn	3.085bn
Net profits	175.6m	160.3m
Net per share	0.62	0.54

SCOTT PAPER

Paper, paper products First quarter	1987 $	1986 $
Revenue	957.4m	801.4m
Net profits	49m	39.1m
Net per share	1.28	1.05

SOO LINE

Railroad First quarter	1987 $	1986 $
Revenue	154.2m	167.4m
Net profits	†2.6m	†2.06m
Net per share	†0.27	†0.22

† Loss.

TELERATE

Business information Second quarter	1986-87 $	1985-86 $
Revenue	139.3m	96m
Net profits	28.4m	17.6m
Net per share	0.62	0.40

TEMPLE-INLAND

Forest products First quarter	1987 $	1986 $
Revenue	390.6m	292.7m
Net profits	33.7m	13.6m
Net per share	1.09	0.49

TRANSCANADA PIPELINES

Energy First quarter	1987 C$	1986 C$
Revenue	923.5m	1.29bn
Net profits	43.4m	51.8m
Net per share	0.28	0.47

TRIBUNE

Media First quarter	1987 $	1986 $
Revenue	479.7m	483.5m
Net profits	16.7m	106.9m
Net per share	0.42	2.63

UNION PACIFIC

Transport and natural resources First quarter	1987 $	1986 $
Revenue	1.8bn	1.82bn
Net profits	121.9m	103.1m
Net per share	1.07	0.88

USAIR GROUP

Airline First quarter	1987 $	1986 $
Revenue	495m	407m
Net profits	23.5m	†6.8m
Net per share	0.80	†0.25

† Loss.

USG*

Gypsum, building materials First quarter	1987 $	1986 $
Revenue	693.2m	585.5m
Net profits	84.9m	51.7m
Net per share	1.55	0.81

* Formerly US Gypsum.

WASHINGTON POST

Media First quarter	1987 $	1986 $
Revenue	288.4m	276.8m
Net profits	18.6m	12.4m
Net per share	1.45	0.98

WASTE MANAGEMENT

Waste disposal First quarter	1987 $	1986 $
Revenue	584m	432.9m
Net profits	67.5m	44.8m
Net per share	0.52	0.21

INTERNATIONAL CAPITAL MARKETS and COMPANIES

UBS leads Y40bn deal for Chubu Electric Power

BY CLARE PEARSON

UNION BANK of Switzerland (Securities) yesterday surprised the Eurobond market with a Y40bn bond for Chubu Electric Power which made it the first non-Japanese house to lead-manage a Euroyen deal for a Japanese company.

UBS said the borrower had taken the decision to award the mandate to a non-Japanese house because it wished to ensure an international distribution of the bond.

But the Japanese securities houses said they were the main market-makers in Euroyen bonds in Europe and had already built up a following for Chubu Electric Power in Europe with earlier deals.

One Japanese house said its initial reaction was to boycott the issue, but it had then decided to join at co-lead management level to preserve its relationship with the borrower.

The 4¾ per cent bond certainly seemed to meet with investor approval yesterday, whatever concerns dealers may have had about the market making capacity of the lead-manager. The 10-year issue, priced at 101⅞, was regarded as reasonably priced and traded comofortably within its 2 per cent fees.

The Euroyen market in general saw higher volume, though no other deals emerged.

In the Australian dollar market, Hambros Bank launched a 13¾ per cent A$75m bond for Sweden, the first to break through the 14 per cent coupon barrier in recent times.

The deal has a seven-year maturity, which is unusually long for this market, and its coupon reflects the downward slope of the Australian dollar bond yield curve.

Although the coupon level looked ambitious, Hambros said that the issue had benefited from the scarcity of paper in the seven-year area. There is only one other comparable bond that matures in 1994: a deal for McDonalds, which is currently yielding close to 13 per cent. The all-in cost of Sweden's bond is 13.92 per cent.

The deal, priced at 101¼, was bid at less 1½, within its 2 per cent fees.

Citicorp Investment Bank meanwhile led an A$50m 2½-year deal for Federal Business

INTERNATIONAL BONDS

Development Bank of Canada. The 14¾ per cent bond, priced at 101¼, incorporates a long first coupon and gives a yield of 14.18 per cent. This was seen as aggressive. The bond traded outside its fees.

Nomura International followed up a flood of equity warrant bonds for Japanese companies issued earlier in the week with a $100m five-year deal for Daikin Industries, the manufacturer of commercial air conditioners. The deal with an indicated 2 per cent coupon traded at around 97¾, the level of its total fees.

Comcast, the US cable television company, brought a $75m convertible issue through Morgan Grenfell with a 5 per cent coupon and a conversion premium indicated at 23 to 27 per cent. Final maturity is 2002, but there is a put option at par in May 1994.

Lacklustre US markets did not help this fairly tightly-priced deal, but Comcast has called its two previous convertibles at substantial premiums.

The call on a $100m issue launched in August 1985 becomes effective next month, and the expectation is that some of the holders of this issue will switch into the new convertible rather than hold the low-yielding underlying shares.

Talk of some re-emerging buyers of floating rate notes may have encouraged the City of Vienna to borrow $70m through a five-year note priced at $\frac{1}{16}$ point over three-month London interbank offered rates. Yamaichi International (Europe) is leading the issue, which was quoted a discount within its fees of 30 basis points.

Eurodollar fixed rate bonds firmed by between ⅛ and ⅜ point yesterday as the dollar traded in a narrow range.

In the D-Mark market, prices gained an ⅛ point during the day, mainly on professional short-covering.

Prices in the Swiss franc foreign bond market were firmer where changed. Union Bank of Switzerland announced late in the day a SFr 100m five-year 4¾ per cent bond for Chrysler Financial Corporation, priced at par.

The same lead-manager also led a SFr 100m five-year convertible issue for Daiwa Danchi, the Japanese prefabricated house builder. The deal has an indicated 7-8 per cent coupon.

Swiss Bank Corporation led a SFr 100m seven-year equity warrants bond for Tobu Railway,

New type of security for Fannie Mae

BY WILLIAM HALL IN NEW YORK

THE BIGGEST supplier of conventional housing finance in the US, the Federal National Mortgage Association (Fannie Mae), has won permission to issue a new type of mortgage-backed security—real estate mortgage investment conduits (Remics).

Mr Samuel Pierce, the US Secretary of Housing and Urban Development (HUD), has permitted Fannie Mae to enter one of the newest and most lucrative mortgage underwriting markets, a move warmly applauded by Mr David Maxwell, Fannie Mae's chief executive, who said that HUD had "hit a home-run for American home buyers."

The move has been fiercely resisted by several leading Wall Street investment banks, led by Merrill Lynch and Goldman Sachs, which have argued that Fannie Mae has na unfair cost advantage because it is able to borrow funds more cheaply than most investment banks.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7¾ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅝ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 7⅞ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅜ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9⅜ 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅜ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅞ 91	115	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 7⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 8⅝ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9½ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7⅞ 92	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8⅜ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 8⅜ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7⅝ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 93 A	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 93 B	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7⅞ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅜ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10⅜ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 94	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 8⅜ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liberty Mutual 8½ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB of Japan 8 91	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merck.-Benz Cred. 7½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch 8⅜ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Fin. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mutual America 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway Kingdom 7⅝ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico Inc. 7⅞ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airways 10⅜ 95	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queensland Govt. 10⅜ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 11⅜ 95	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saab Scania 9½ 91	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

World Bank bridges domestic yen barrier

By Our Euromarkets Staff

THE World Bank has announced a Y40bn financing which for the first time bridges the barriers between the Japanese domestic bond market and the Eurobond sector.

The new structure is designed to overcome the problem of illiquidity in the Samurai market, the domestic market for foreign borrowers. This has made domestic bonds increasingly expensive compared with Euroyen alternatives, Mr Rene Karsenti, an official at the World Bank's Treasury department, said yesterday.

The "Daimyo" bond, the name of which harks back to Japanese feudal lords as the Samurai does to feudal warriers, is being offered in Tokyo but incorporates Euromarket features, which are intended to lead to more active trading.

The bearer bond, which is being lead managed by Daiwa Securities, will be listed in Luxembourg, although the group of co-managers are expected to make markets in Tokyo as well. Settlement will be conducted through Euroclear and Cedel, the Eurobond market clearing systems.

Market makers will also be allowed to take short positions in this issue, which they are not allowed to do in the Samurai market. These will be on a contract basis for up to 20 days.

The 4½ per cent 10-year bond is priced at 101. It is believed that the financing is being conducted within the framework of the Japan Special Fund, a vehicle established by the Japanese Government to recycle Japan's current account surplus to developing countries, by increasing the World Bank's access to yen markets.

BET launches $150m paper programme

By Stephen Fidler

BET, THE UK construction and services group, has launched a $150m commercial paper programme in the US.

Dealer for the programme, which will replace short-term bank borrowings, will be Merrill Lynch Money Markets.

Moody's Investors Service, said it had assigned a top Prime-1 rating to the paper, which it said was fully backed by unused bank facilities.

It said the company's financial leverage was moderate and would decline with the proposed issue of at least $75m in new shares which the company planned to offer as American depositary receipts in the US later this year.

New Zealand appointed two more dealers for its $500m Eurocommercial paper programme, announced in January and expected to start in May, and said the programme will now include an option to issue medium-term notes. Morgan Guaranty and Swiss Bank Corporation International will join Citicorp Investment Bank and Shearson Lehman Brothers International as dealers.

Morgan Guaranty said it arranged a $200m Eurocommercial paper programme for Sumitomo Corporation of Japan. It, Citicorp and Swiss Bank International will act as dealers for the Prime-1 rated paper.

International credit for UK pension fund

By Our Euromarkets Staff

A BRITISH pension fund and its 80 per cent owned investment trust subsidiary are raising a total of $85m in syndicated credits among international banks, an unusual method of financing for a UK pension fund.

The Merchant Navy Officers Pension Fund, with assets of £1.35bn, is borrowing $35m and Ensign Trust, a £260m investment trust whose shares are traded in London, $50m.

The five-year loans, which were oversubscribed in syndication among a limited number of banks but not increased in size, are being arranged by Manufacturers Hanover.

They are to finance the institutions' US equity portfolios without running foreign exchange risks, and will replace existing lines of credit with individual banks.

The pension fund loan carries an interest margin over London interbank offered rates of 18.75 basis points for the first two years, and 22.5 basis points for the final three. Ensign's margins are 20 basis points for the first two years and 25 basis points for the remainder. Eleven banks are participating, for which each receives a 10 basis point fee.

FURTHER LIBERALISATION BY MoF

Tokyo go-ahead for foreign futures

BY YOKO SHIBATA IN TOKYO AND ALEXANDER NICOLL IN LONDON

JAPAN's Ministry of Finance announced yesterday that domestic financial institutions will be allowed to deal in foreign financial futures and options markets from next month.

The long-awaited move will free securities houses, banks, life insurance companies, and investment trusts to trade for their own account in futures contracts based on currencies, deposits, bonds and stock indexes, as well as in options on those contracts.

US and UK futures exchanges, which have lobbied hard with the Tokyo authorities to win the relaxation, were quick to welcome it. Some exchange officials said the announcement went further than they had expected by permitting options trading as well as dealing across the entire range of financial futures categories.

Institutions will not be allowed to trade on behalf of customers. The ministry said, however, that it would study whether to widen the permitted contracts to include options on physical commodities, as well as on futures, and to broaden the eligible institutions to include, for example, trading houses.

Until now, only overseas branches and subsidiaries of Japanese financial institutions have been officially allowed to trade on foreign futures markets. Though the ministry is understood to have turned a blind eye to foreign trading by residents, the official endorsement is important because Chicago and London exchanges shortly plan moves aimed to capitalise directly on Japanese interest in futures markets.

The Chicago Board of Trade, the world's largest futures exchange, is due in a week's time to launch an evening trading session designed to coincide with morning business hours in Japan.

Mr Karsten Mahlmann, CBOT chairman, said it was very pleased with the announcement which "will enable Japanese financial institutions to hedge their financial risks to the same extent as firms throughout the world." It was also a step towards better trade relations since it would bring Japanese business to the US, he said.

The news is also important for the London International Financial Futures Exchange, which plans to introduce futures on Japanese government bonds early in the second half of this year. Mr Brian Williamson, Liffe chairman, said Liffe's 28 Japanese member firms had been steadily increasing their business and would now be able to channel it directly from Tokyo.

Liffe is finalising the specifications of its new contract, which will be launched later on the CBOT. To get round thorny problems connected with delivery of bonds and tax treatment, Liffe is expected to make its contract cash-settled—meaning that holders of long positions which ran to delivery would not receive bonds, but would instead receive an equivalent amount of cash.

This mechanism will allow allow the prices of the Liffe contract to track closely those of a similar futures contract already actively traded at the Tokyo Stock Exchange.

Meanwhile, moves are in train to broader futures trading in Japan by introducing stock index futures and stock and bond options by summer 1988. The Finance Ministry, after receiving a report from the Securities and Exchange Council, plans to work out revised legislation for the next Diet (parliament).

Most of the proposals are in line with what securities houses have been seeking but have disappointed banks which have been pushing for the creation of an integrated financial futures market including stock index futures and securities options as well as currency and interest rate futures.

The report recommends index futures and options trading on existing securities exchanges and would limit stock index futures trading to securities houses. It says, however, that the options market could admit banks qualified to deal in government bonds and other public bonds.

The Osaka Stock Exchange will begin stock index futures trading in June 1987 and has devised a complex mechanism to circumvent the current Japanese ban on outright trading of stock indices. The Tokyo Stock Exchange will await the amendment of the law.

> **The Chicago Board of Trade and the Chicago Mercantile Exchange are investigating questionable futures trading practices by smaller Japanese firms using US markets.**
>
> **After taking orders from customers, firms apparently match the trades among themselves at the end of the day in Japan so as to have an equal number of buy and sell orders to enter when Chicago opens the next day. The effect would be to eliminate margin payments. This would not necessarily violate exchange rules, though it would if firms were taking the other side of customers' orders**

Japan plans to allow short sale of bonds

BY OUR TOKYO STAFF

THE JAPANESE Ministry of Finance intends to approve a scheme designed to allow securities houses and banks to sell bonds short under a repurchase agreement, for an amount equivalent to up to 30 per cent of their net assets.

The move has been sought both by foreign securities houses and by the Securities Dealers Association of Japan, officials of which argued that recent erratic price movements in bellwether 10-year government bonds could be smoothed by a short sale market. This in turn could encourage trading activity in the issues.

The plan allows operators a means of hedging against the risk of lower prices and of making a profit from price declines through the buying back of borrowed bonds.

Net assets of most foreign securities houses operating in Japan are relatively small, and in order to benefit from the latest relaxation they are now urging the MoF to take into account their worth worldwide in order to place themselves on a more equal footing with Japanese securities houses.

The ministry wants securities houses and banks to report once a month on short sales under repurchase agreements.

Britain and Australia to step up surveillance

BY CHRIS SHERWELL IN SYDNEY

CO-OPERATION in the surveillance of Australian and British securities markets is likely to be stepped up as the result of a meeting yesterday of the heads of the two countries' market watchdogs.

The meeting, one of a growing number involving national regulatory authorities, was between Sir Kenneth Berrill, chairman of the UK Securities and Investment Board, and Mr Henry Bosch, head of Australia's National Companies and Securities Commission.

Also present were Mr Richard Britton, international director of the SIB, and senior officials from the NCSC and its associated corporate affairs commissions.

This was the first contact between the two sides in Australia, and it reflects the rapid pace of internationalisation of world financial markets. It also follows the co-operative effort which helped the NCSC's successful investigation into dealings in the shares of Humes, a Melbourne building products manufacturer.

That investigation, which focused on share purchases made by Alexanders Laing and Cruickshank, the London broking firm, was concluded with a costly settlement for the Unity group, which was trying to take over Humes.

Earnings fall 74% at Bank Hapoalim

By Judith Maltz in Tel Aviv

BANK HAPOALIM, which over the past year has become Israel's largest bank, yesterday reported a 74 *per cent drop* in 1986 net profits to Sh 24.9m ($16.7m).

Consolidated assets, down 1.2 per cent, stood at Sh 38.9bn at the end of December. This contraction was explained by last year's virtual freeze in the exchange rate, since a large share of Hapoalim's assets are denominated in foreign currencies.

Shareholders' equity rose 1 per cent to Sh 1.2bn while outstanding loans and deposits remained little changed at $21.2bn and $18bn respectively.

Mr Amiram Sivan, the chairman, blamed the downturn on low margins, government regulation of fees, high corporate tax rates, and large provisions for bad debts, as some major business clients encountered difficulties.

Cost-cutting moves over the past few years were beginning to show results, Mr Sivan said. Last year and in early 1987, the bank closed down 27 of its branches and cut staff by 5 per cent.

Japanese brokers' profits up 54%

BY YOKO SHIBATA IN TOKYO

JAPAN'S big four securities houses, riding high on booming stock and bond markets and brisk sales of investment trusts, showed record pre-tax profits for the six months to March.

Combined pre-tax profits of the four—*Nomura, Daiwa*, Nikko and Yamaichi—surged 54 per cent from the previous *first half to reach Y639.8bn* ($4.5bn).

With a continued low level of interest rates and strong corporate liquidity, a massive amount of money is flowing into the stock market. In addition, the privatisation of Nippon Telegraph and Telephone has induced individuals to shift their savings towards equity-related investments—the government says 70 per cent of NTT shareholders were first time stock market investors.

Turnover on the Tokyo Stock Exchange has expanded rapidly since February when NTT shares were listed, with the average daily volume on the first and second sections of the TSE in February-March rising more than 50 per cent from a year earlier to 1bn shares. Average daily turnover by value exceeded Y1 trillion (million million) for the first time in March to reach Y1,180.8bn.

Gains in commission revenue from equity business more than offset the adverse effects of a cut in the commission rates which became effectiev last November.

During the half-year, the big four securities houses launched a large number of investment trusts, on the back of a boom *in sophisticated* money management both by corporate investors and individuals. Low interest rates *made* these especially attractive compared with other financial instruments.

Rising bond prices, as a result of a half-point cut in the Bank of Japan's discount rate to a record low of 2.5 per cent in February, also helped boost the securities houses' earnings.

For the remainder of the current year, the big four expect revenues and earnings to remain at high levels, and appear certain to achieve record results for the full year to September.

JAPAN'S BIG FOUR SECURITIES HOUSES
Parent company results (Ybn), half-year to March 1987

	Revenue	Pre-tax profit	Net profit
Nomura	466.13 (+35%)	242.21 (+40%)	111.58 (+89%)
Daiwa	298.67 (+31%)	150.12 (+38%)	69.54 (+66%)
Nikko	276.31 (+38%)	132.10 (+53%)	58.66 (+85%)
Yamaichi	248.07 (+38%)	115.39 (+67%)	57.68 (+105%)

San Miguel trebles net surplus

By Our Financial Staff

SAN MIGUEL, the food and beverage producer which is the Philippines' largest industrial company, trebled net profits last year to 1.11bn pesos ($54.15m), but *its auditors* stress that key elements remain unresolved in a plan aimed at resolving control of the group.

They point to an uncertain final disposition of a 500m *pesos* initial payment made by Neptunia, operator of its Hong Kong brewery, in repurchasing a one-third stake in San Miguel sequestered by the Manila government.

The results also reflect a shift to equity accounting of associates, which was responsible for a large improvement in earnings.

Five big Australian law firms form federation

BY CHRIS SHERWELL IN SYDNEY

FIVE LEADING Australian law firms yesterday announced a major business link-up which further transforms the country's corporate legal sector.

The formation of the new grouping, billed *as a milestone* in national legal practice, is said to create the largest and *most powerful legal network* in Australia, with offices in the five major cities and abroad in *London, New York and Singapore.*

Members of the conglomerate include Allen Allen and Hemsley, the country's oldest legal firm, Arthur Robinson and Hedderwicks of Melbourne, Parker and Parker of Perth, Feez Ruthning of Brisbane, and Finlaysons of Adelaide.

Called the Australian Legal Group, it will be *a federation* rather than a merger in which the five firms will co-operate extensively while *remaining* independent and autonomous. It will have 150 partners by *July, and around* 500 lawyers.

"The federation is designed to give the member firms the *benefits of one Australia-wide* firm without the problems inherent in the creation and *operation of such a firm,*" the group said yesterday.

Clients will have greater access to *Australia-wide* expertise covering all areas of finance, taxation, acquisitions, insolvency, industrial relations and contracts in sectors such as real estate, construction, resources, environment, media and entertainment.

Bindura Nickel seeks state finance

By Tony Hawkins in Harare

BINDURA NICKEL (BNC), the Zimbabwe nickel producer, has started negotiations with the Zimbabwe government and with other major shareholders seeking finance in the wake of a loss of Z$16.9m (US$10.3m) in 1986.

BNC says that last year its borrowings rose 38 per cent to Z$103m in order to finance the loss, provide increased working capital and for capital expenditure.

Revenues fell 16 per cent to Z$80m while the average unit cost of sales increased by 21 per cent. In addition to production and grade problems, the nickel group was hit by the weak nickel price internationally

Altech maintains strong trading advance

BY JIM JONES IN JOHANNESBURG

ALTECH, the South African electronics and telecommunications products group, maintained its strong trading advance in the year to February, helped by increased capital spending by the post office.

Turnover increased to R641m ($321.1m) from R493m and pre-tax profits rose to R106.2m from R89m. Mr Bill Venter, the chief executive, says that all divisions traded profitably with particularly satisfactory results from electronics components, telecommunications and electronic systems.

Altech and its associates have been active in acquisitions and have been especially interested in acquiring the South African operations and technical knowhow of foreign groups divesting from the country.

In the latest year Altech made acquisitions in laser and electronics systems and has signed new product agreements with GTE Atea, the Belgian telephone maker. Fintech, its associate, has acquired Rank Xerox's South African interests since the year-end.

Mr Venter adds that, though the group spent R8m in cash on acquisitions in the year, its liquid holdings rose to a record R150m which will enable it to make further acquisitions. Along with other companies, Altech finances some of its inventories with secret, off-balance-sheet funding from the state. In Altech's case, this has helped keep long-term liabilities disclosed in the balance sheet at minimal levels.

Net earnings increased to 609 cents a share from 482 cents and the dividend has been lifted to 190 cents from 150 cents. Rationalisation of subsidiaries and acquisitions helped Powertech, Altech's main electrical products associate, to increase sales by almost a third in its year to February.

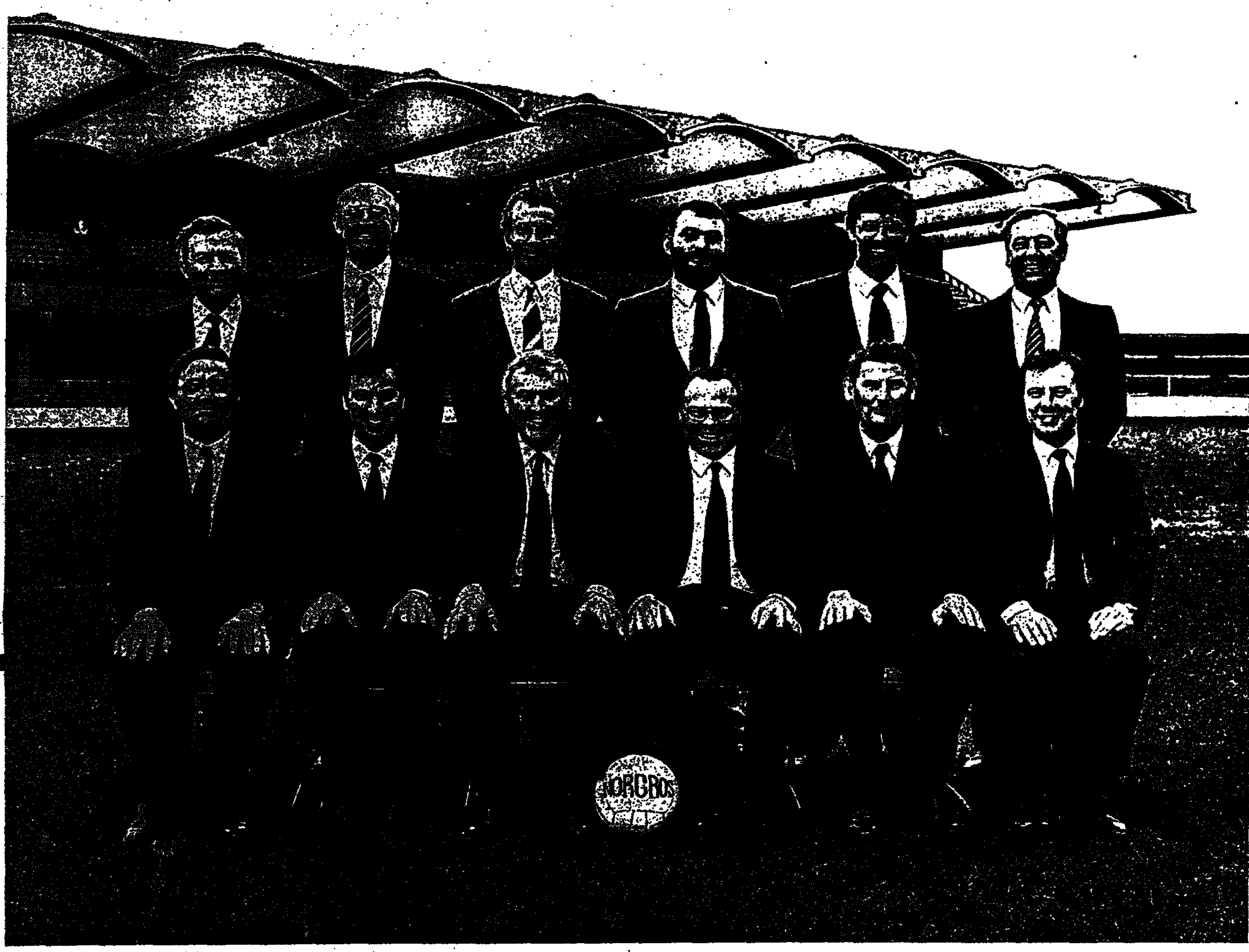
Turnover rose to R601m from R454m and pre-tax profits increased to R31.3m from R24.0m. Most of the growth came from Asea Electric, which increased turnover to R408m from R305m. Powertech acquired the Swedish parent's minority interests in Asea South Africa during the latter part of the year and is to acquire the remaining shareholding owned by Anglo American Industrial Corporation this year.

The power, telecommunications and fibre-optics cable interests have been rationalised inside the Aberdare Cables subsidiary.

Mr Fred Bell, Powertech's chairman, expects the company's subsidiaries to benefit from increased residential and industrial construction activity this year. He says that particular emphasis will be placed on technology agreements which allow the local content of its products to be increased.

Net earnings increased to 10.1 cents a share from 7.9 cents and the year's dividend has been raised to 3.8 cents from 3.7 cents.

Only a first-class team effort produced the winner at Watford.



Back Row: G. R. Atkins, G. J. Griffin, S. N. Carr, H. Clay, D. A. Joss, E. Plumley
Front Row: D. R. Knight, R. Burley, J. Matthews, A. S. Darroch, H. P. J. Taylor, S. F. Sim

Watford FC has always been a club to move fast.

And when they decided their new grandstand must be completed — from scratch — before the start of the football season — they chose the Norcros team to tackle it.

First, Norcros can field all the necessary skills — specifically the proven pre-cast concrete construction techniques developed by Dow-Mac. Grandstands at such famous sports venues as Sandown Park, Goodwood and Twickenham are examples of our expertise.

Second, the Norcros management approach of cooperation and enterprise made sure of the result without running a minute into extra time.

In fact, Norcros constructed Watford's famous new grandstand in just 100 days. Safe, durable, fire-resistant and ready for the new season's kick-off.

Our ideas and energies create growth for our many activities in building materials and in specialist print and packaging products. We are currently transforming UBM, one of Britain's major builders merchants.

In fact, wherever you look at Norcros, in the UK or worldwide, the commitment is the same.

A group of companies who are stronger together by each pursuing individual excellence.

THE NORCROS GROUP

♦ INDIVIDUAL EXCELLENCE – COMBINED STRENGTH ♦

APV Baker profits jump 83%

BY NIKKI TAIT

APV Baker, the engineering group which emerged from the successful £147m bid by APV Holdings for Baker Perkins last month, has unveiled an 83 per cent jump in pre-tax profits during 1986 to £27.5m—beating its own forecast by £0.5m.

Earnings per share, helped by a falling tax charge, more than doubled to 52.2p.

The pre-tax figure contains no contribution from the various smaller acquisitions which APV made towards the end of 1986—including three ice-cream equipment companies in the US and an 80 per cent interest in the West German joint venture, APV Rosista.

The improvement stems largely from a sharp increase in UK trading profits following rationalisation. Group sales were just 1.8 per cent higher at £416.8m.

Yesterday, Mr Fred Smith, the group's chief executive, said that the company was happy with the current order intake for both APV and Baker and was concentrating on margin improvement.

"Margins at APV are currently 6.5 per cent and I would be disappointed if we did not add an extra 1 per cent in the next eighteen months," he commented, suggesting that a similar improvement would be sought at Baker subsidiaries.

Initial plans for combining the two groups have been drawn up and include the closure of Baker's chemicals factory in Saginaw, Michigan; the sale of cable coating business Sterling Davis; and the rationalisation of various UK subsidiaries, particularly on the lower-margin packaging machinery side.

Some 300 redundancies are currently being announced in the UK and Mr Smith suggested yesterday that two factories may close. The costs of the merger have not yet been quantified but will be written off against goodwill.

The company also expects a substantial drop in capital expenditure during the current year. APV doubled spending to £18m in 1986, and when added to Baker's outlay, the figure is nearer £25m; in 1987, around half that looks likely. R and D costs, however, are likely to remain close to £12m for the combined group.

At the trading level, rationalisation in the UK — which has cut out some £50m-worth of sales from APV during the past two years — boosted profits from £5m to £13m, while the US and Europe also chipped in higher contributions.

There was a marginal improvement in the Asia-Pacific region after start-up expenditure on a new joint venture in China, but South Africa produced a £0.5m loss. That, said Mr Smith, was due to "bad management" which had since been changed.

Currency movements knocked a further £0.5m off the figures. Overall, pre-interest profits rose £17.4m to £28.3m.

The interest charge drops from £2.4m to £800,000 and the tax charge is cut to 38 per cent or £10.5m (£7.3m), with a similar level expected in 1987. Below the line, a further £5.9m is written off — £2.9m for APV's costs in fighting the Siebe bid and the remainder for closure costs, principally in South Africa.

Fred Smith, the chief executive

Despite the Baker acquisition, Mr Smith suggested that the group was still looking at purchases — two areas of interest being beverage packaging equipment and filtration machinery manufacture. Following the Baker merger, gearing stands at around 30 per cent.

See Lex

Norcros predicts £62m profits

Norcros, the building materials and printing group which is on the receiving end of an unwanted £571m bid from Williams Holdings, yesterday released its final defence document forecasting pre-tax profits up from an estimated £53m to £62m in the year to end-March 1988.

Earnings per share should rise from an estimated 28p in 1986-87 to 32p, and dividends from 12p to 14p.

Yesterday, Mr Terry Simpson, the company's chief executive, said progress was expected "across the group" and the company was looking for a one per cent increase in margins overall—with margin improvement in UBM, the builders merchanting group, likely to lead the way.

However, the forecast was immediately attacked by Williams.

"Norcros has a history of things always about to happen," claimed Mr Brian McGowan, Williams' managing director. "It is very difficult to forecast when you are only three weeks into the new year."

Norcros also breaks down the expected profits figures for 1986-1987, showing building materials manufacture at £23.7m (£20.9m), UBM at £10.1m (£7.5m), print and packaging up from £9.7m to £12.6m, international just nudging ahead to £5.9m (£5.5m), and head office and property at £4.5m (£3.6m). The interest charge is estimated at £5.8m, against £7.8m in 1985-86, and the company expects about £7m in 1987-88.

The offer has already been declared final and closes on April 29.

Williams holds just 2.5 per cent of Norcros and, with its shares unchanged at 763p yesterday, the paper terms value each Norcros shares at 442.5p. The cash alternative is 400.2p. Norcros shares were also unmoved at 403p yesterday.

Ayrshire Metal in the red

A COMBINATION of redundancy costs and a shutdown on a major production line sent Ayrshire Metal Products, a light engineering and steel fabrication company, tumbling £267,000 into the red in 1986 compared with profits of £760,000 in 1985. Turnover slipped back from £19.81m to £18.53m.

Redundancy costs totalled £223,000 and in September 1986 a shutdown to upgrade computer control at the Daventry company went on for longer than expected. This caused severe delays to orders. Exceptional costs were incurred as well as orders being cancelled and further orders being lost. The overall result was a loss of profits exceeding £150,000.

The directors said that the production line was now working satisfactorily.

Over the year, Ayrshire Metal incurred a trading loss of £208,000 (£767,000 profit). However, the directors stressed that during the second half it made a trading profit of £32,000.

Tax produced a credit of £44,000, compared with charges of £100,000 last time and the loss per share amounted to 3.1p (9.7p earnings). The directors declined to recommend a final dividend (1p), making 0.5p (2p) for the year.

European expansion by Tiphook

By Graham Deller

Tiphook, container and road transport group, is to expand its European activities through the purchase of certain assets of Trailer-Vermiet, the road trailer rental subsidiary of West German trailer manufacturer Schmitz Anhanger Fahrzeugban.

The acquisition will be facilitated through Dieckmann, Tiphook's newly-formed West German offshoot, which is shortly to be renamed Central Trailers Germany. The deal involves almost 400 road trailers as well as office property, leases and trailer parking places in Hamburg and Altenberge.

Tiphook is paying DM 10.68m (£3.6m) for Trailer-Vermiet's assets, to be satisfied by the issue to the vendors of some 1.07m shares.

Tiphook emphasised that both Trailer-Vermiet and its parent had undertaken not to compete with Central Trailers Germany in the trailer rental market for at least three years.

In the six months to October 1986, Tiphook made pre-tax profits of £1.51m on a turnover of £15.8m.

Jaguar exports go on an accelerating trend

By John Griffiths

JAGUAR car exports increased in value by more than 10 per cent last year to provide a £560m contribution to the UK's balance of payments.

The performance made the company once again the UK motor industry's single largest positive contributer to the external trade balance.

The figure was disclosed by Sir John Egan, Jaguar's chairman and chief executive, at the company's annual meeting in London yesterday.

Jaguar's accounts show that Sir John's emoluments as chairman rose last year by just under 15 per cent, to £192,860.

Austin Rover, the UK's largest car maker in unit terms, exported £369m worth of cars in the same period.

Jaguar's exports exceeded £500m in value for the first time in 1985, when they reached £503m.

The 1986 figure was achieved without the stimulus now being provided by the new XJ6 model, which is to go on sale in the US in May and which is increasing demand "to an unprecedented level," said Sir John.

Sir John, commenting on one shareholder's criticism that—as already reported—pre-tax profit was lower than last year at £120.8m (£121.3m) on a higher turnover of £830.4m (£746.5m), attributed the drop to higher investment, launch costs of the new XJ6 and the decline of the dollar.

However, he insisted that while Jaguar could not protect itself from a long-term realignment of the dollar, "the Germans have got an even worse problem."

The new XJ6 models will cost in the US some $3,000 more than previous models, at $40,500-$44,500. But this is still between 20 and 23 per cent lower than the cars' main rivals from BMW and Mercedes.

Jaguar's 154 US dealers between them are investing $200m in new and uprated facilities as an expression of their confidence, Sir John told the meeting.

Mr Graham Whitehead, president of Jaguar Cars, the North American subsidiary, said dealers would have a total stock of about 600 of the new models for the May launch and predicted that this year's sales in the US, Jaguar's single most important market, would exceed the 1986 level of 24,900.

This would be despite "a slow build-up" of sales of the new car as a result of demand exceeding supply in all markets.

While the subject was not raised at yesterday's meeting, the settlement between West German metalworkers and their employees only hours previously removed a major worry for Jaguar, which is dependent on ZF and Robert Bosch for gearboxes and fuel injection systems.

Sir John said Jaguar was on course to increase production this year to 47,000 from 41,300.

However, some analysts say they believe Jaguar is being conservative in all its statements about the future.

Mr Stephen Reitman, analyst with stockbroker Phillips & Drew, suggests that Jaguar's production this year is likely to be closer to 49,000, and that pre-tax profits are likely to rise to £137m despite adverse currency shifts.

This would stem, he suggests, from positive factors like the greater pricing scope available to Jaguar in the US compared with its German rivals, and the fact that the $850 per-car "gas guzzler" tax paid on the "old" XJ6 will not be applicable to the new model.

Avimo issue oversubscribed

The offer for sale of 25 per cent of Avimo Singapore, a subsidiary of United Scientific, was oversubscribed 104 times when it closed yesterday.

The issue attracted a record 109,000 applications, which included those from institutional buyers in Hong Kong and Singapore as well as local individuals.

United Scientific sold 15 per cent and retains a 65 per cent interest; 10 per cent was sold by a minority holder which continues to hold a further 10 per cent.

The issue of shares in Avimo, which manufactures precision optical equipment for export and is the first company to seek a listing on the Stock Exchange of Singapore this year,

E. T. SUTHERLAND (quality fresh foods) has acquired Saint Martin Foods for an initial £780,000 to be satisfied by £500,000 cash and the balance in new Sutherland ordinary. Up to 1.25m further shares, at pre-determined prices, and additional cash may be issued or paid to satisfy future rofit related payments.

Pensions contributions cut helps lift Bank of Scotland

Bank of Scotland, the Edinburgh-based banking group, increased its pre-tax profits by 24 per cent to £118.5m—at the high end of expectations—in the year to February 28. But the bank benefited to the tune of £6.3m from a decision to halve contributions to the staff pension fund which is now overfunded.

The results included a total dividend of 20.5p, an increase of 18 per cent over the previous year. The shares gained 10p to 463p.

Higher profits were reported by all the bank's main operating divisions. The Bank of Scotland itself earned £84.4m, up from £72.7m thanks to stronger lending results and non-interest income.

The bank also described as "highly encouraging" the progress of its screen-based electronic Home and Office Banking Service (HOBS). Although Mr Bruce Patullo, the general manager, declined to detail the number of accounts which had been opened, he said that 60 per cent of account holders had no previous connection with the bank, and a large proportion were businesses.

North West Securities, the finance house hubsidiary, contributed £25.1m, up from £18.2m, with growth based in all areas of activity and from joint ventures.

The British Linen Bank, the merchant banking arm, earned £7.8m, an increase of 34 per cent, and the Bank of Wales, in which the group acquired an 87 per cent stake last year, reported profits of £1.2m since the acquisition date in August.

The group's total provisions for bad and doubtful debts increased by 35 per cent to £55.5m, but Mr Patullo said that this reflected the growth of the loan portfolio and a change in its composition rather than any major deterioration.

The overfunding of the pension fund enabled the bank to halve its contribution from 20 per cent of eligible salaries to 10 per cent, with a saving of £6.3m. On the advice of the consulting actuary, the contribution will be reduced to nil for the next four years.

Mr Patullo said he was satisfied with the joint ventures which the bank had entered into with English financial institutions as a way of breaking into the English market, and would continue this strategy. The bank was also looking at possible acquisitions in the US.

• comment

Bank profits are always difficult to forecast. The market had expected neither the reduction in the pensions contribution nor the size of the bad debt provision—however, the net effect was that the pre-tax figure was above estimates. After a careful look, the market decided to be encouraged by the higher dividend and the prospect of a pension holiday this year and pushed the shares up 10p to 463p. The bank is still gaining market share in England—advances and commissions are each rising at about double the rate of other banks. But there is no sign that the group has expanded merely by grabbing poorer quality business — the bad debts provision probably owes more to Celtic caution in a good year than to any underlying deterioration and the group has little exposure to LDCs. Although the growth in advances might slow this year, there should be enough momentum to push pre-tax profits up to £145m and with a healthy yield of 5 per cent, the shares look a better prospect than TSB.

Leigh sells non-waste operations

By Ralph Atkins

Leigh Interests, the waste disposal group, has completed the sale of the activities not related to its core operations, of MJI which it acquired in 1985.

The sale of three non-waste disposal operations brings the total raised from the sale of MJI activities to £8.1m of which £3.5m is to be paid on deferred terms.

MJI was acquired for shares to the value of £4.4m. Its waste disposal activities have been incorporated within Leigh's operations.

Wares Electrical and Plumbing services has been sold for £365,000 cash to Sharp & Law, a Bradford-based storefitting company.

The High Wycombe depot of MJI Mechanical has been sold for £110,000 in cash plus £186,300 payable over three years to Mel-Dave Holdings and MJI's former head office in Coventry is to be transferred to D.D.D. (Security Systems) for £68,000.

Charterhall lifts stake in Allebone

Charterhall, an investment company with interests in oil and natural gas exploration and production, has increased its stake in Allebone Sons from 5 per cent to 10.2 per cent.

Shares in Allebone, a Leicestershire-based footwear retailer, closed unchanged at 74p.

Ratcliffs' shares move up to 147p

Shares in Ratcliffs (Great Bridge), the brass and copper strip manufacturer, closed up 7p at 147p after the announcement of two changes in its share ownership.

Telfos Holdings has sold its 285,000 shares, or 5.02 per cent stake, but Leyland Growth of New Zealand has bought 325,000, taking its holding to 455,000 of 9.7 per cent.

Industrial Equity (Pacific), based in New Zealand, already has a 8.75 per cent stake in Ratcliffs.

COMPANY NEWS IN BRIEF

J. HEWITT & SON (Fenton): Mr David Hewitt, chairman and joint managing director, told agm that turnover to date was lower than the high level achieved at this time last year. For the year he anticipated a similar turnover to 1986's record, although margins in some cases would be somewhat lower.

SALE TILNEY—Mr R. A. King, the chairman, told the annual meeting that new acquisitions were fitting well into the group. He added that the food division was recovering fast and would contribute significantly to profits this year. Overall, he regarded the prospects for the group as highly promising.

BRITISH VITA (manufacturer of polymeric products).—The annual meeting was told that the current year had opened well, with the group continuing to meet targets. Recent acquisitions in the UK were already making good contributions. Future acquisitions were being actively contemplated, both in the UK and Europe.

ELLIS & EVERARD (chemical distributor) has acquired Robert R. Bartlett & Sons of Yate, Bristol, as of May 1 1987. The initial consideration of £500,000, plus a further £100,000 to be paid April 30 1988, will be satisfied by the issue of new ordinary shares in Ellis. Net assets of Bartlett's are warranted to be not less than £240,000 at April 30 1987.

UK COMPANY NEWS

Laura Ashley 25% profit increase fails to impress

BY ALICE RAWSTHORN

Laura Ashley Holdings, the fashion and textiles group, yesterday announced a 25 per cent rise in pre-tax profits to £22.45m. The growth was gleaned throughout the group's international operations, despite adverse exchange rates.

Earnings per share rose to 7.24p (6.29p) during the year to January 31 and the board proposes to increase the final dividend to 1.5p making a total of 2.25p (1p). Yet Laura Ashley's share price, which has performed sluggishly since its flotation in November 1985, fell by 5p to 171p. The shares are thus still below the premium reached on the first day of dealings on the stock market.

Laura sAhley suffered from adverse exchange rates during the year. Unfavourable currencies cost the company £2m by dealing a double blow in that profits earnt in US dollars were reduced and raw materials, bought in Deutschmarks, were more expensive. But the group recouped around £1m from property profits, including £500,000 from the sale of a Regent Street store in London.

In the UK turnover from retailing rose to £77.87m (£56.06m) and operating profits to £6.42m (£5.83m). Much of the growth was gleaned from new stores, although sales from existing units grew by 6 per cent, despite the decline in tourism which affected the London shops. In the course of the year th egroup opened 22 new UK shops. It plans to accelerate the opening programme to 27 units in the current year.

The store opening programme in North America is yet faster. The group opened 29 new shops in the US and Canada last year and will introduce 30 this year. Turnover fro mNorth America increased to £68.63m (£55.32m) and operating profits to £11.13m (£9.99m) although the division's contribution suffered from the decline of the US dollar. Laura Ashley acquired a small production plant in Kentucky during the year.

In continental Europe — traditionally the group's problem area—Laura Ashley broke into profit in its retailing operation. The division produced operating profits of £3.42m (£832,550), half of which came from retailing, on turnover of £20.48m (£14.66m). There are now 53 shops in continental Europe and an additional 11 will open this year.

Turnover in the Pacific Basin rose to £2.62m (£1.14m) but fell elsewhere to £3.29m (£4.33m). The related company in Japan contributed £87,000 (£90,000) to profit. The Japanese business will be expanded by the introduction of five new shops this year.

Royalty income fell—chiefly because of currency losses and the takeover of a US licensee—to £1.56m (£2.09m). The problems immediately after the takeover have now been resolved, sales have recovered and the company expects an improved performance under the new owners.

Laura Ashley is now on the brink of completing the development of its new £7.4m textile plant in Powys which will increase capacity by 50 per cent. The plant should open in May. Investment in production absorbed half the group's capital expenditure of £24m but retailing should henceforth absorb the bulk of expenditure. Capital expenditure should increase to £30m this year.

As a result borrowings will increase. Gearing stood at 16 per cent at the year end—interest deducted £606,000 (£870,000) from these results—and should rise to 25 per cent in the current year. Mr Peter Phillips, group finance director, said that gearing will remain at that level for the next few years.

The group described the prospects for the present year as "encouraging."

See Lex

Cosalt improves at midway

Cosalt, the Grimsby-based company with interests in ships' chandlery, fishing gear, caravans, refrigeration and finance, lifted its pre-tax profits by £40,000 to £563,000 for the 26 weeks ending March 1, 1987.

Historically the company's business did better in the second half, the directors said, and they expected that would be the case in 1987.

They are raising the interim dividend to 1.5p (1.25p), to be paid from earnings up from 3.81p to 4.05p per share. A total dividend of 3.5p was paid in 1985/86 when pre-tax profits reached £1.08m (£1.05m).

The depressed market for the company's services in the North Sea oil industry continued to affect adversely profits in the ships' chandlery division, but the shortfall there had been covered by strong profit growth in the caravan division, directors stated.

The chandlery division had undergone a fundamental reorganisation, with a view to developing its potential both in marine and industrial products and services, they added. That would make it less dependent on the fluctuating fortunes of the oil industry. The directors expected better results in both the short and long term as the consequences followed through.

The caravan division continued to develop and produced excellent profits for the half year, they said, while the trading activities of finance, aviation and refrigeration combined showed a small increase.

From a turnover 18 per cent ahead at £27.2m (£23.02m) operating profits for the half year rose to £1.06m (£985,000). Interest took £500,000 (£462,000).

The tax charge was £125,000 (£131,000) and an extraordinary debit took £22,000 (£43,000 credit).

Union Bank earnings up

Union Bank, Los Angeles-based subsidiary of Standard Chartered, raised its earnings for the first quarter of 1987 to $13m (£7.98m), an improvement of 15 per cent over last time's $11.3m.

Return on assets for the period, on an annualised basis, was 0.59 (0.57 per cent). Return on equity was 9.33 per cent (8.87 per cent).

At quarter end, the bank's total assets were $9.3bn, an improvement of 16 per cent on the $8bn reported at March 31 1986.

BABCOCK GEARS, a Babcock International subsidiary, has acquired the business assets of Shackleton Engineering (UK) of Stockport, for an undisclosed sum. Turnover of Shackleton in 1986 was £1.5m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
APV Baker	†12	—	7.25	19	11.75
Ayrshire Metal	nil	—	1	0.5	2
Bank of Scotland	10.5	June 12	8.5	16.5	14
Bank of Wales	‖2.8	June 8	2.4	2.8	2.4
Boase Massimi	†4	—	3	5.75	4.5
Clarke Nickolls	4.2	July 1	4.2	6.3	6.3
Clayform	†5	—	5	7.5	5
Cosalt ... int	†1.5	Sept 3	1.25	—	3.5
Densitron	1.1	—	—	1.1	—
Ellis & Goldstein	1.7	June 17	1.6	2.6	2.45
First Charlotte	0.05	June 24	—	0.05	0.05
Intl Business Comm	2.25	June 5	—	3	—
Juliana's Hldgs	¶1.75	June 26	1.75	2.5	3
Keystone Inv ... int	2	June 9	2*	—	5.5*
Laura Ashley	1.5	—	1	2.25	1
James Neill	4.8	July 1	4.5	7.3	7
Secs Trust Scotland	2	June 29	1.7*	3	2.5*
TR Australia ... int	1	July 2	1	—	2.7**

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross throughout. ‖ For 14 months to February 28, 1987. ** Includes special non-recurring payment of 0.4p.

Ellis & Goldstein downturn to £3.7m

Ellis & Goldstein (Holdings), outerwear manufacturer, experienced a setback in the second six months of 1986-87, and for the year saw its profits fall from £4.06m to £3.71m at the pre-tax level.

The directors said yesterday that the first half of the current year had begum slowly and that it would take time for Jenni Barnes to become successful.

They believed, however, that as the year progressed a resumption of profitable growth would be seen.

Group turnover for the year to January 31, 1987, improved from £75.5m to £80.54m.

Pre-tax profits were after interest charges of £513,000 (£702,000) and an employee share scheme provision of £154,000 (£169,000).

Earnings per 15p share worked through at a same-again 8.1p, and a final dividend of 1.7p lifts the total to 2.6p (2.45p).

comment

The market has grown accustomed to disappointments from Ellis & Goldstein over the past couple of years but that did not stop the company's shares shedding 7p to 82½p on these figures. Stronger recovery hopes might have cushioned the fall, but they are depressingly absent in the short term. Jenni Barnes is still losing the company money in the first half, borrowings were up from £2.5m to £4.6m at the balance sheet date, and the combination of poor weather and a late Easter seems to have made for a slow start to the spring season. At this stage it would be unwise to look for a pre-tax profit much above this year's level, so the prospective p/e ratio is close to the historic multiple of 10. At that level, the shares could be set for a long sleep: the prospects for Dash might be brightening the horizon but the rating makes few concessions either to the poor earnings record or the company's all-too-evident vulnerability to the vagries of fashion.

Virgin in £6m deal

Virgin Group, Mr Richard Branson's media and entertainment concern which came to the stock market last November via a tender offer, has acquired Rushes Post Production in a £6.04m deal.

Rushes operates in the field of video and film editing and computer graphics. It primarily services the advertising commercials industry. In the year to end-October 1986, Rushes achieved taxable profits of £727,446.

The consideration is to be satisfied by the payment of £482,000 in cash and the issue of 3.37m Virgin shares.

Clarke Nickolls improves by 45%

Pre-tax profits of Clarke Nickolls & Coombs, property investor and developer, rose by 45 per cent to £693,000 over the year to end-December, 1986. The value of the investment properties increased from £9.5m to almost £13m.

Lower sales of properties left turnover at £2.9m (£4.32m). After tax of £21,000 (£204,000) and extraordinary credits of £9,000 (debits £43,000) attributable profits amounted to £681,000 (£231,000), equal to earnings of 13.1p (5.2p).

A final dividend of 4.2p gives a same-again total of 6.3p. A one-for-one scrip issue is also proposed. Net assets per 25p share at book value totalled 210p (185p).

IN BRIEF

TR AUSTRALIA INVESTMENT TRUST: Interim dividend of 1p per share (same) for six months to February 28 1987. Net asset value per share at that date was 145.5p (99p). Total revenue was £800,000 (£903,000). Pre-tax profit was £590,00 0(£761,000) and tax took £153,000 (£256,000). Earnings per share emerged at 1.45p (1.71p).

FIRST CHARLOTTE Assets Trust: Dividend 0.05p (same) for year to March 31 1987. Net asset value per 5p share was 17.25p (12.03p). Total income was £258,000 (£289,000). Pre-tax profit £87,000 (£92,000); tax absorbed £40,000 (£36,000), leaving earnings per share of 0.06p (0.07p).

GARNAR BOOTH—The Trade Secretary has decided not to refer to the Monopolies Commission the proposed acquisition by Pittard Group.

YEARLING BONDS totalling £2m at 9⅞ per cent, redeemable on April 27, 1988, have been issued by the following local authorities. Bolton Metropolitan Borough Council £1m: Berwick Upon Tweed District Council £0.5m: Maldon District Council £0.5m.

ICELAND FROZEN Foods: Acceptances have been received in respect of 3.53m shares of the rights issue of 3.58m ordinary (98.7 per cent). Balance of rights entitlement not taken up has been sold in the market.

Company Notice

SOCIETE GENERALE DE BELGIQUE
Public Limited Company

Incorporated in Brussels by Royal Decree on 28 August 1822
Registered Office: 30 rue Royale, 1000 Brussels
Trade Registered Number: Brussels 17.487

The Management is pleased to invite shareholders to attend in the company's reception rooms at 30 rue Royale, Brussels, on Tuesday May 5, 1987, at 10.30 a.m., the Annual General Meeting, in accordance with Article 32 of the Memorandum and Articles of Association, to vote on the following agenda:

AGENDA

1. Report by the Board of Directors and report of the Statutory Auditor for 1986.
2. Approval of the company's annual accounts.
3. Discharge to members of the Board of Directors and to the Statutory Auditor.

In order to attend this Annual General Meeting, shareholders must, in accordance with Article 29 paragraph 2 of the Memorandum and Articles of Association, deposit their shares by Monday April 27, 1987 at the latest, either with the company or with Banque Belge Ltd.

Brussels, April 15, 1987.

R. MORETUS, Secretary — R. LA', Governor

Jas. Neill recovers most of first half shortfall

James Neill Holdings made up much of the £2m first-half shortfall through the second half of 1986 and for the full year turned in pre-tax profits of £4.52m, a downturn of £497,000 on 1985's figures.

The directors said that although the second half was somewhat clouded by the fire insurance claim settlement, there was an "enormous improvement" in performance as the year progressed.

They added that this showed the group was poised to grasp full benefits accruing from the reorganisation of the last four years and from the integration of Spear and Jackson.

The first three months of 1987 had seen an encouraging upturn in demand, both at home and overseas — the Sheffield-based group is engaged in the manufacture of hand tools.

For 1986 group turnover pushed ahead from £51.96m to £82.96m. Operating profits fell from £6.25m to £5.28m with the UK contribution down from £6.76m to £5.45m. Overseas losses were reduced to £171,000 (£506,000).

Pre-tax profits were struck after taking in an exceptional credit of £1.58m (nil) and paying interest charges of £2.33m (£1.28m).

Tax of £942,000 (£718,000) left net profits at £3.58m against a previous £4.2m. There were extraordinary credits of £2.34m (debits £1.88m).

Earnings emerged at 13p (23.9p). A final dividend of 4.8p (4.5p) raises the total from 7p to 7.3p per 25p share.

The exceptional item comprised a loss of profit element of the insurance settlement which is being apportioned equally over the 18-month period of insurance cover.

A little under half of the £4.1m loss of profit settlement was included in the 1986 accounts. The balance will be credited to 1987.

The extraordinary credit included reimbursement by insurers for machinery scrapped as a result of fire damage amounting to £3.7m less book value of £1.05m.

The fire last May was at Neill's tools factory at Sheffield.

● comment

The fire at James Neill's Sheffield factory has been put out and the insurance payment settled, but there is still a lot of smoke about, making it difficult to see what lies ahead. The acquisition of Spear & Jackson in December 1985 led to a considerable reorganisation of activities which together with lower than expected demand and the fire led to poor first-half results — which was only partly offset by a better second half performance. The group is still having problems with its overseas operations — which account for about 30 per cent of turnover—and faces a decline in the industrial handtools market. Its strategy is to concentrate on three areas: DIY and garden tools; building, plumbing and garage tools; and industrial saws. These are growing, although highly competitive markets from which Neill should increase pre-tax profits to about £7.5m in 1987. At 233p up 6p this gives a prospective p/e of about 10.5 which probably reflects justifiable uncertainty about the group's growth prospects.

Keystone Investment revenue advances

Keystone Investment lifted its group revenue before tax from £443,121 to £605,204 in the half year to March 31 1987. Net asset value at that date was 407p, compared with a scrip issue adjusted figure of 325p for the previous first half.

Tax took £198,991 (£160,472) and earnings per share worked through at 2.83p, up from 1.96p. The declared interim dividend is 2p (2p).

Densitron International hit by sluggish second half

Densitron International, a manufacturer and distributor of electronic components which floated on the Stock Exchange last June, turned in pre-tax profits of £443,000 for 1986, down from a proforma comparative figure of £957,000 for 1985. Turnover rose from £12.84m to £14.87m.

The directors said that the second half performance—pre-tax profits of £214,000—was below expectations.

However, they stressed that the company's order book now stands at record levels, and coupled with the strengthening of basic management and marketing during 1986 expected the company to return to normal levels of profitability and growth in 1987.

This should be assisted by plans to invest shortly in an assembly plant for source products in Taiwan and in agency companies in West Germany and Italy to assist in marketing products in Europe.

Tax charges fell from £448,000 to £162,000, after which earnings worked through at 1.96p, down from 4.51p.

The directors proposed a final dividend of 1.1p—the total for the year—10 per cent higher than the figure forecast at the time of flotation.

Ossory Estates back in black

Ossory Estates is back in the black with a pre-tax profit of £168,000 for the six months to December 31; this compares with a loss of £13,000 for the corresponding period of the previous year and a loss of £897,000 for the whole of 1985-1986.

Turnover was £11.7m (£8.18m) with the cost of sales and property up from £7.3m to £10.97m; net interest charges were £189,000 (£248,000) and there was no tax. Earnings per share were 0.12p (0.02p loss).

Securities Trust of Scotland

Net asset value per 25p share at *Securities Trust of Scotland* improved by 27 per cent from an adjusted 103.3p to 131.5p in the year to March 31, 1987, and has, in fact, doubled over three years.

Earnings rose by 30 per cent in the second half after a flat opening half, and for the year as a whole, advanced from 2.72p to 3.09p.

The final dividend is effectively raised from 1.7p to 2p for a total of 3p net (2.5p adjusted).

Gross revenue for the year totalled £10m compared with £9.47m, of which £5.1m (£4.42m) was franked income.

Atlantic Res. stays in red

Atlantic Resources, the Irish gas and oil explorer, reported a pre-tax loss of I£3.73m (I£1.4m) for 1986 after an exceptional item. The exceptional item of I£3.11m (nil) was against the carrying value of the group's properties in the US.

Reasons for the improvement prior to exceptional items were much lower interest charges of £425,000 (£1.16m), higher interest income and a gain of £110,000 on sale of Government securities.

Tax took £269,000 (£232,000) leaving attributable losses of £3.99m (£1.63m). Loss per share was 3.2p (1.9p). There is again no dividend.

Bidders agree to swap parts of IC Gas

By Lucy Kellaway

THE TWO groups which last month launched rival tender offers for IC Gas have agreed to exchange the parts of the company that they do not want.

The deal will come into effect next week when the reconstruction of IC Gas into two separate companies takes place.

As a result of the agreement, SHV, a privately-owned Dutch company, will end up with 29.8 per cent of the new Calor Group, while Tracabel and Group Bruxelles Lambert, both Belgian holding companies, will gain a similar stake in Contibel Holdings, a new company which will contain IC Gas' Belgian investments.

The deal will enable both groups to get what they wanted when they made their competing partial tender offers.

SHV said yesterday that as a result of the deal, under which it is buying from the Belgian companies their 22 per cent stake in Calor, its initial aim of having a significant interest in Calor had been achieved.

It said that it viewed its stake as an investment, and did not intend at the moment to make a full offer for Calor.

The Belgian consortium, which has large stakes in the same companies in which Contibel is invested in, is buying from SHV its 7 per cent Contibel interest.

A spokesman for the consortium said that the investment was "in line with their present activities in Belgium." However, he would not comment yesterday on whether the consortium planned to bid for the remaining Contibel shares.

Calor yesterday welcomed the deal, and said that Mr Fentener Vanvlissingen, the chief executive of SHV, would be joining the Calor board.

The exchange of stakes follows an unusual skirmish in which a partial tender for IC Gas from SHV was topped by a higher offer from the Belgian consortium.

The SHV tender failed to gain the minimum number of acceptances, whereas the Belgians succeed in attracting 7 per cent of the shares. Most of these came from the Barclay brothers, which had built up a stake in the company during an unsuccessful bid last year.

BP Tokyo listing

British Petroleum has applied for the listing of its ordinary shares on the Tokyo stock exchange. The company expects the necessary procedure to be completed and the listing to be effective by early August.

Boase Massimi tops £5m with 30% lift

After a slowish start to 1986 Boase Massimi Pollitt, the advertising agency, predicted that the second six months would show an acceleration in profitability. The 30 per cent increase from £3.9m to £5.1m in year end pre-tax profits announced yesterday was in line with market expectations.

The results include a six months contribution from Granby Marketing, which generated lower profits than expected in the second half, but its performance was improving now that it was benefiting from the referral of business from the marketing solutions group.

Interest was also £92,000 up at £248,000 reflecting the benefit of the £9m June 1986 rights issue.

The directors said that new client gains during the year promised to boost billings in 1987 by over 30 per cent. The year also saw the continued development of the group's marketing services arm, under the management of the marketing solutions group.

With increasing consultancy business in the second half, the burgeoning of its smaller "satellite" companies and the six months earnings from Granby, the marketing solutions group contributed some 40 per cent of total income over the year.

The directors continued that so far 1987 was promising to be another year of healthy growth. All member companies were operating at higher levels than at the same stage of 1986, with BMPP reaping the benefit of last year's new business bonanza, the marketing solutions group enjoying strong organic growth and the company's start-up operations together generating significant earnings.

The company's strategy would, the board believed, continue to generate robust growth. This entailed entering new sectors of the industry, balancing the activities between advertising and marketing services. The company remained determined to establish a substantial presence in key overseas markets and was working hard to achieve this in the current year.

Turnover last year rose from £73.01m to £97.27m and operating income was £18.92m (£14.92m). Administrative expenses amounted to £14.04m (£11.15m) and share of losses of related companies was £43,000 (loss £21,000) leaving an operating profit of £4.84m (£3.75m).

Tax took £2.06m (£1.71m), minorities showed a debit of £51,000 (credit £2,000) and there were no extraordinary items (debit of £241,000) leaving attributable profits of £2.98m (£1.95m).

Fully diluted earnings per share emerged at 18.92p (15.64p adjusted) for the dividend which is increased from 4.5p to 5.75p with a proposed final of 4p (3p) per share.

● comment

Boase Massimi Pollitt is an odd animal. One of the most esteemed agencies within the advertising industry, it scoops awards by the bucketful and new business by the bundle; yet the progress of its share price has been distinctly dull. One reason may be the memory of the group's erratic early days; another the way in which the likes of Lowe Howard and Wight Collins have hogged the headlines with their transatlantic spending sprees. BMP is now poised to correct this with another surge in profit—to £7m or so this year—and by finalising its apparently endless negotiations in the US. Yesterday's share price, down by 12p to 345p fuelled by concern that the furore over Woolworth's advertising could cost it the Comet account, puts BMP on a prospective p/e of 14. Undemanding, given the fundamentals, but the agency can not afford to make another mistake.

Savage making £3.8m purchase of Douglas Kane

BY GRAHAM DELLER

Savage Group, a USM-quoted shelving-system manufacturer, is to expand its hardware interests through the conditional acquisition of Douglas Kane, a private company based in Atherstone, Warwickshire.

Consideration for the deal—which is subject to shareholders' approval — is equivalent to £3.78m and will be satisfied by the issue and subsequent placing by County of new Savage ordinary shares with institutions and other investors. An open offer will be made to enable existing shareholders to participate in the placing on a basis of one new share for every five held as at April 14, at 262p per share.

Certain directors of Savage, representing 32.7 per cent of the equity capital, have agreed to waive their entitlements to participate in the open offer in an attempt to broaden the group's shareholder base.

Investors in Industry, which controls just over 21 per cent of Savage, is to take up 85 per cent of its entitlement, the remaining 15 per cent to be placed by County.

Kane supplies a range of bath-sealing and tile-edging strips, masonry nails and other hardware products under the OBO banner. Profits before tax and non-recurring expenses for the year to end-December 1986 amounted to £434,000 on a turnover of £4.13m.

In January, Savage acquired Display Tiling Services, a Birmingham-based supplier of tile-edging and sealing products, in a £4.84m deal. The purchase of Douglas Kane and its complementary product range is seen by the directors as consolidating Savage's position as a leading supplier to hardware and DIY retailers in the UK and would provide a further opportunity to market new products in Western Europe through existing subsidiaries.

BOARD MEETINGS

TODAY

Interims: Chrysalis, Eagle Trust, Free State Consolidated Gold Mines, Investors Capital Trust, Kwik Save, William Low, Orange Free State Investments, Share Drug Stores, Transvaal Group Gold Mining, Vaux, Welkom Gold.

Finals: Aberdeen Steak Houses, East Rand Gold and Uranium, Exam, Guinness, Hartons Group, Lanca, Lilleshall, Petrocon, Platignum, Austin Reed, Sunlight Service, Whatman Reeve Angel.

FUTURE DATES

Interims:

Allied London Properties	Apr 27
Jessups	Apr 29
Perkins (John) Meats	May 5
Rodime	Apr 30
Wellcome	*Apr 28

Finals:

Bilton (Percy)	May 11
Boot (Henry)	May 1
Chepstow Racecourse	Apr 27
Farnell Electronics	Apr 27
Grampian Television	May 14
Hunting Associated	May 12
Macdonald Martin Distilleries	Apr 29
Malartic Hygrade Gold Mines	May 6
Toozal	Apr 28
Virgin	*Apr 30
Walker Greenbank	Apr 28

*Amended.

UK COMPANY NEWS

Samuel acquisition benefits show through at Clayform

INCLUDING A six-month contribution from Samuel Properties, Clayform Properties was able to lift its 1986 profits from £2.59m to £5.02m pre-tax.

Rationalisation of Samuel's portfolio is nearing completion. To date some 24 of its properties have been disposed of for £24m, a figure some £4.8m higher than the valuation obtained last July at the time of the £36m takeover.

As forecast in their interim report, Clayform directors are recommending a final dividend of 5p making a total of 7.5p (5p) on the enlarged share capital.

Turnover for 1986 rose from £38.88m to £58.77m generating operating profits of £6.95m compared with a previous £2.9m, after taking account of a £1.04m rise in administration and distribution expenses to £3.82m.

Pre-tax profits were struck after deducting interest charges of £2.21m (£1.44m) and adding in a £270,000 (£1.14m) share of associates' results.

Tax of £1.87m (£783,000), minorities of £21,000 (nil) and extraordinary credits of £885,000 (£1.31m) left attributable profits at £4.01m, up from 1985's £3.16m.

The directors said the group now had a well balanced portfolio which promised to perform well in terms of rental growth

The total capital value of the group's current development programme when completed is estimated at some £230m. The programme should ensure a sound base for future profits

The group has agreed to purchase the Woolworth store in Leeds city centre

● comment

Clayform Properties has moved quickly to trade-on a quarter of the Samuel Properties portfolio for a £4.8m profit. And while few can doubt the courage of a trader which has taken up the challenge of ignoring the traditional discount to net asset values, Clayform has little choice but to keep moving as the "we can all make a profit" message is not universally valid. Either the vendors are *too pessimistic* or the purchasers are too optimistic—any ground in between has to be held by the company's capital base just in case. These figures contain pre-interest contributions of around £1m from property development and trading, £1.8m from retailing and almost £4m in rental income—the latter being the major source of profits growth. This year various developments should be completed and sold and profits more *balanced* between this and the rental stream. Analysts are expecting £10m pre-tax, which on a standard tax charge has the shares at 291p trading on a prospective p/e of 16. The net asset value per share is presently just under £2, which will rise to about 250p if the warrant holders all pay up. But surely, NAV discounts tend to zero rather than to substantial premiums.

Initial £0.5m profits at Parrish

BY RICHARD TOMKINS

J. T. Parrish, Britain's only independently quoted stockbroker, yesterday produced its first set of figures since its transformation from a "shell" company of the same name at the end of last year.

Pre-tax profits for the year to January were £548,000 on turnover of £1.66m. After a tax charge of £179,000, the earnings per share came to 8.52p. No dividend is proposed, but the company hopes to resume payments this year.

The new company was created *last October when two former* Mercantile House directors reversed two regional stockbroking firms, Dunkley Marshall and E. F. Matthews, into J. T. Parrish.

The pre-tax figure includes a *profit of £355,000 on the sale* of the old J. T. Parrish's stake in Burns-Anderson. Mr Keith Hughesdon, Parrish's chairman, said that the stockbroking operations alone produced profits of £257,000 in the three-and-a-half months for which they were included.

On February 9, just after its year-end, Parrish bought the London firm of Sternberg Thomas Clarke together with two smaller stockbroking *businesses* and an *investment* management company.

Parrish's policy is to develop into a regional stockbroking network, offering a range of agency stockbroking and other financial services for private clients. Expansion will be mainly through acquisition.

The current year should bring cost benefits from the *integration of* the acquired companies' back offices. Parrish is also aiming to increase its net retained commission per bargain through a gradual *improvement in the quality of* its business.

Alexanders Laing & Cruickshank, Parrish's stockbroker, is *forecasting pre-tax profits of* £1.8m for the current year, putting the shares—up 15p at 470p—on a prospective price/earnings multiple of 24.

WA Holdings profits top £1m

WA Holdings, a rubber and plastics manufacturer, boosted pre-tax profits *substantially* from £366,000 to £1.02m on turnover up by 16 per cent from £15.53m to £18.02m in the year to January 31 1987.

Mr Brian North, chairman, said that overall the group was on target to achieve first-half budgeted profits and he was *confident that that continued* development of group strategy would produce another successful year.

WA intended to continue its careful acquisition policy in in dustral and consumer distribution as well as other appropriate services.

An extraordinary credit of £125,000 (£481,000 debit) arose from allowing E. J. Tong to buy out a future consideration clause in the contract for the sale of the company in January 1986.

Tax took £299,000 (£143,000) and earnings rose to 2.62p (0.92p). The proposed dividend for the year is 1p (0.1p).

Juliana's makes strong recovery in second half

Juliana's Holdings, the international *discotheque group*, achieved a good measure of recovery in the second half of 1986 with the result that pre-tax profits for the full year emerge some *£52,000* up at £765,000 after showing a sharp downturn from £582,000 to £229,000 at the halfway stage. But the total gross dividend is cut by 0.5p to 2.5p as the final is maintained at 1.75p.

The company has some way to go before it returns to the *£1.5m achieved in 1984 but* Mr Oliver Vaughan, chairman, said he looked forward with confidence to the year ahead. With strong centralised management he believed that the company was now in a position to move forward again.

All divisions were now trading profitably. Following the withdrawal from loss-making activities and reorganisation of the remaining operationst in Hong Kong, the associate, Supersport, reported a trading profit in the second half of 1986.

The withdrawal from loss-*making activities in Supersport* and the reorganisation of management throughout the group resulted in extraordinary losses of £806,000. These were partially offset by a surplus of £689,000 arising on the purchase for cancellation of £1.59m nominal of the company's 7¾ per cent convertible unsecured loan stock 2000-02.

Mr Vaughan continued that the major source of profits in 1986, as in past years, was the contract discotheques and sales of equipment division. But this division showed a decrease of £490,000 compared to the previous year.

Turnover for 1986 slipped to £8.35m (£8.52m) and operating profits were down from £1.31m to £915,000. However, reflecting the improvement at Supersport, the share of losses of associated companies were down sharply from £685,000 to £135,000.

Tax charged was £292,000 (£290,000)

IBC improves to £1.9m and plans further expansion

GOOD ORGANIC growth and major acquisitions during 1986 enabled International Business Communications (Holdings) to lift its profits for the year from £759,930 to £1.86m at the pre-tax level.

Last December, at the time of IBC's share placing, the directors forecast profits of not less than £1.8m and a dividend of 2.25p. In the event, a final of 2.25p makes a total of 3p net per 10p share.

The profits for the year took *in post acquisition contribu*tions from Stonehart Publications (after April 30), International Insider Publishing (from August 8) and Agra Europe (London) from September 19.

Pro-forma results based on a full 12 months contribution from these acquisitions amounted to £2.66m pre-tax compared with a forecast of not less than £2.3m.

Mr Michael Bell, IBC's chief executive, *said* yesterday that the pro-forma figures gave a clearer indication of the state of the business at year-end.

He added that the results were *gratifying* and that the company's progress was very much in line with the strategy outlined a year ago.

Mr Bell anticipated further growth in 1987, both through organic development, which he said remained strong, and through further acquisitions.

He pointed out that no particular targets were currently in view but noted that the company's balance sheet at December 31 1986 was in a strong position to finance growth with cash of £4.4m, net assets of £11.3m and no borrowings.

After the programme of acquisitions and *strategic* disposals IBC's 1986 profits were divided between publishing (52 per cent), conferences (40 per cent) and engineering (8 per cent).

Turnover for 1986 totalled £15.23m (£5.94m). Tax accounted for £631,803 (£144,676) and minorities for £1,938 (£120,799). This left profits of £1.22m (£494,455) before taking in an extraordinary credit this time of £606,011.

Earnings worked through at 7p against a previous 5.2p.

● comment

IBC has made a good job of exploiting a stock market quotation gained by reversing into an Irish engineering company in January 1985. A string of acquisitions, including the respected Euromarket newsletter International Insider, have enabled the group to treble its profits. Publishing *has dramatically increased its* share of profits from 10 per cent to 52 per cent, which may relieve those in the City who believed that the group was dependent on conferences—and thus had poor earnings quality. An average 85 per cent renewal rate indicates that the publishing earnings should be of sterner stuff especially given Mr Bell is determined to stick at what the group does best, catering for the business *rather than the consumer* market. Further there is no prospect of an overambitious new product launch that could knock profits out of bed. The market's target for this year's profits is £3.5m, putting the shares at 136p on a prospective p/e of 14. With that rating and plenty of cash, IBC should have enough scope for acquisitions to keep the long term growth prospects buoyant.

Mayborn lifts its profits by over 60%

Mayborn Group, the consumer products company best known for its Dylon clothes dyes, reported pre-tax profits up more than 60 per cent from £1.49m to £2.39m. This was slightly ahead of forecasts made when the group floated on the USM last December.

Turnover moved up from £19.99m to £21.54m.

Lord Bearsted, chairman, said that the improvement had resulted from continued growth in the Dylon dyes and household products activities, coupled with improved performances in the baby products sector notably at the group's US subsidiary, Stahlwood.

He said he was confident about the current year but added that product launches in the first half meant that a significantly higher proportion of profits than in 1986 would arise in the second half.

Mayborn intended to continue *expanding through acquisition* and an initial step had been taken in this direction with the purchase of the licence to distribute the PUR range of *infant* products in the *UK* and Scandinavia.

Tax charges rose from £558,000 to £833,000 and earnings per share moved up from 6p to 10p.

The directors said that had the ordinary shares been dealt in on the USM during the whole of 1986 they would have recommended total dividends of 3.2p.

COMMODITIES AND AGRICULTURE

Norway's 'qualified' support for Opec

By Karen Rossli in Oslo

NORWAY'S OIL and Energy Minister, Mr Arne Oeien, says Norway will continue to support Opec's bid to prop up oil prices if "Opec's measures continue to work." Mr Oeien said that this factor will be the "major qualification" for Norway's continued support.

In January Norway pledged support to help Opec prop up oil prices when the major North Sea producer implemented a cut in oil production. Norwegian North Sea oil production has been cut by approximately 80,000 barrels per day since February 1. Since then the Norwegian Minister says that Norway "is pleased with Opec's efforts."

Although Norway has not yet taken a formal decision to continue its support of Opec Mr Oeien did not shy away from the suggestion of this possibility. He said: "I would not be surprised if we continue to give support to Opec."

Untapped North Sea reserves put at 64%

By Lucy Kellaway

ALMOST two thirds of total proven oil reserves in North West Europe have yet to be produced, according to stockbrokers James Capel.

In a new annual survey of the area, the broker estimates that of total reserves of 26.2bn barrels, only 9.5bn had been lifted by the end of last year. The bulk of oil produced so far has been in the UK, where only half of the original 14.4bn barrels of oil remains.

According to the survey, the largest remaining reserves are in Norway, where proven fields contain nearly 9bn barrels of oil, four times greater than the volume already produced.

The study estimates that so far oil in the region has generated revenues of £173bn since 1975. Despite record oil production last year of 3.6bn barrels, revenues fell to £16bn, of which an estimated £11m was claimed by governments. Drilling activity was down by 24 per cent in the region last year, with 148 exploration wells drilled at a cost of about £600m. Most of the activity was in the UK, which claimed 60 per cent of the total.

Activity in the area continues to be dominated by the major oil companies. However, in terms of oil reserves, the survey shows that Statoil, the state owned Norwegian company, has nearly as many oil reserves as Shell, Esso and BP put together. Statoil is estimated to have proven reserves of 5.7bn barrels, compared to 2bn each for the three majors.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,300-2,330 (same).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (2.05-2.20).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.00-1.04 (0.94-0.98), sticks, 1.00-1.04 (0.94-0.98).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.20-6.35 (6.10-6.35).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 225-250 (215-225).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.05-3.10 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.65-5.20 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 50-55 (same).

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.52-2.56 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.75 (same).

Peruvian silver traders unperturbed at sales ban

BY DOREEN GILLESPIE IN LIMA

LIMA METAL traders are puzzled but unperturbed at Peru's suspension of silver sales on the international market, announced by Mr Wilfredo Huaita, Minister for Energy and Mines, on Tuesday.

The suspension, which includes concentrates as well as refined silver, is unlikely to have any immediate effect on the market, according to private traders. The bulk of this year's silver production is already committed.

Centromin the state mining company and Peru's main refined silver producer, producing 23m troy ounces a year, has committed the bulk of its production to Cargill Metal of Minneapolis which has prepaid Centromin $85m according to traders. The balance of Peru's refined production — which comes from Minero Peru and Funcecosa, a small private refiner — is already committed.

Mr Fermin Bustamante, general manager of Minpeco, the state marketing board, says that the freeze will remain in effect until the international silver market stabilises. Minpeco will honour all existing contracts but will not make any more sales until further notice. He refused to say how much silver Peru has in stock or how much it has exported so far this year on the grounds that this is strategic information. Nor would he comment on Centromin commitment. Peru exported 1.3m troy ounces of refined silver, worth $7.7m in the month of January, according to latest central bank figures.

Peru, the world's second largest silver producer after Mexico, expects to produce 63m troy ounces this year compared with 52m in 1986. Of this amount 27.6m ounces will be refined in Peru and the remainder exported as concentrate. The concentrates are produced mainly by private companies of which the biggest are Buena Ventura, Arcata and Orocamca, a Buena Ventura subsidiary. Peru exported 19.5m ounces of refined silver last year for a total of $110.3m at an average price of $5.60 an ounce compared with $139m in 1985 when exports totalled 22.4m ounces at an average price of $6.20.

A trader said the announcement of the export freeze was probably a Government attempt to push rising prices up further but that it could also be a reaction to renewed rumour that the US was preparing to sell its strategic silver reserves. President Garcia said he had discussed the measures to improve silver prices with the Mexican Government during his recent visit to Mexico City.

The communique, read by Mr Huaita following a meeting with President Garcia and the head of Peru's state mining companies and foreign trade institutes, said that Peru was withdrawing from the markets to protect its silver from speculation until the price stabilised. Mr Huaita also said that the central reserve bank would establish a mechanism either to purchase existing silver stocks or to finance these. He said the Government would promote the minting of silver coins and the issue of silver certificates. However, these measures have been under discussion for several years without so far having been put into effect.

THE NEWS from Peru helped to maintain buoyancy in the London silver markets yesterday, with the spot price reaching a 22-month high of 481.35p at the morning fixing, an increase of 2.65p, writes Our Commodities Staff.

However, the London Metal Exchange price closed somewhat lower at 480p—a rise of 6p over Tuesday's close.

The advances followed a strong surge in prices on Tuesday in the wake of substantial gains by gold and platinum. The Tuesday morning fix was ahead 37.5p at 478.70p, while the LME price rose by 36.70p to 475p.

India seeks tea quality pact

INDIA WILL seek an international agreement to ensure only good quality tea is sold on world markets, Mr Deepak Atal, chairman of the Indian Tea Association, said yesterday, reports Reuter from Calcutta.

He also said it would renew efforts to reach an agreement to regulate tea prices through export quotas fixed for individual producer countries.

Both matters will be taken up at a meeting of the UN Food and Agriculture Organisation (FAO) due to be held in Rome towards the end of June. The meeting will be attended by representatives from producing and consuming countries.

Mr Atal said several million kilogrammes of cheap, poor quality tea were being sold, posing a serious threat to the marketing of good quality tea.

India will press for a regulatory mechanism to stabilise volatile world tea prices," he said.

He said the last agreement to regulate tea prices through quotas was signed in 1933, and had not been renewed since 1954. It ended because of differences between tea producing nations about fixing quotas.

Eeveral attempts at various international forums have failed to resolve the deadlock, Mr Atal said.

"I am not sure if the Rome meeting can still overcome earlier objections from younger tea producing nations opposing the quotas who argue they (the quotas) will affect their export prospects," Mr Atal said.

If that meeting failed to reach agreement to have quota-linked prices, the next best thing would be to have an agreement to export only quality teas, he added.

India's drought-hit tea production fell to an estimated 625m kg in 1986 from 659m in 1985, Mr Atal said.

The output reduction cut exports to 202m kg in the year, compared with 220m in 1985.

Mr Atal said agitation by the Gurkha National Liberation Front (GNLF) in West Bengal's Darjeeling district had seriously disrupted the management of tea estates in the area.

"Strikes and violence have halted plucking the first flush of Darjeeling tea which is mainly exported to West Germany," he said.

But he was unable to say how much of tea output was lost due to the year-long agitation of the GNLF campaigning for a Nepali-speaking state within the Indian Republic.

Darjeeling annually produces around 13m kg of tea and most of it is exported at a premium price, Mr Atal said.

New Delhi plans coffee output boost

THE STATE-RUN Coffee Board is implementing a plan to raise India's annual coffee output by 33 per cent to 200,000 tonnes by the year 2000, from the present 150,000, the Board's chairman, Mr S. K. Warrior, said yesterday, reports Reuter from New Delhi.

India exports around 90,000 tonnes a year at present.

A large part of the increase in production is expected to come from north-eastern India where the Board plans to extend coffee plantation to an additional 44,000 hectares by the end of the century.

The north-east currently accounts for about 9,000 hectares of coffee—grown in the states of Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland and Tripura. But most of India's coffee comes from Karnataka, Kerala and Tamil Nadu in South India.

Brazil says chicken sales hit by US subsidies

BY PATRICK KNIGHT IN BRASILIA

BRAZIL'S EARNINGS from exports of frozen chickens are expected to fall to $200m this year, $40m less than in 1985. This is mainly because of what the Brazilians claim are unfair subsidies being given to chicken exporters in the US.

Under an export enhancement programme started at the end of last year the subsidy on foodstuffs, which the Brazilians say amounts to $400 to $500 a tonne of chicken, has caused Brazil to lose important markets such as Iraq and Egypt as well as new markets in Hong Kong and Singapore. It is under great pressure in Spain and Japan.

Brazil has long had to contend with what it claims is unfair competition from France, but it was felt that changes in EEC policies might soon force the French to reduce their subsidies. The Brazilians fear that the new American subsidy will encourage the French to persist with their own.

Brazil's chicken exports have been in decline since the early 1980s when exports of 300,000 tonens earned $350m.

Demand for chicken meat rose sharply on the home market in 1985 and last year, and exports fell to $220m. But as purchasing power has now fallen sharply again, the Brazilians had hoped to export $280m worth this year.

Brazil claims it can produce chickens more cheaply than any other country. Labour costs are low and there is never any need to heat broiler houses. As demand increasingly switches from whole birds to more expensive cuts the labour component becomes substantial and Brazil's advantage increases.

Brazil's chicken producers are pressing the Government to take the issue of the American subsidy to the Gatt.

Brazilian chickens are raised on 12,000 farms in the three southern states. Twenty per cent of production has normally been exported compared with below 4 per cent by the Americans. France produces some 750,000 tonnes and exports 320,000 and the US produces 6.2m tonnes and exports 300,000. Brazil produces 1.3m tonnes

Canada to cut grain prices by 18%

By Bernard Simon in Toronto

PRODUCER PRICES for Canadian prairie grain will fall by an average of 18 per cent this year as a result of intense competition on world markets.

The low 1987 prices will be accompanied, however, by record subsidies. Mr Charles Mayer, Wheat Board Minister, said that total Federal Government subsidies to Western Canadian grain farmers would rise by 50 per cent this year to C$1.3bn (£980m).

The subsidies include part of a C$1bn emergency cash payment announced last September and a distribution of C$705m from the Western Grain Stabilisation Fund. The fund, which is covered by the Government, is expected to post a deficit of C$850m this year.

The 1987 guaranteed price for red spring wheat will be C$110 per tonne, compared with C$130 per tonne in 1986. The price was C$160 per tonne the previous year. Feed barley prices will drop from C$80 per tonne to C$60. The new prices come into effect at the start of the next crop season on August 1.

NZ dairy protein sales under threat

BY DAI HAYWARD IN WELLINGTON

WHEN AN American housewife heats a can of soup for her family lunch much of the nutritional value is provided by New Zealand casein—a versatile dairy protein. Casein is also an important ingredient in the millions of meals served each day to US hospital patients.

In addition coffee whitener, ice cream, whip desserts, artificial cheese, bread, luncheon sausage and a whole range of other processed and manufactured foods in popular demand in the US have their protein levels enhanced with New Zealand casein.

Every year New Zealand exports to the US 40,000 tonnes or NZ$160m (£56m) worth, of casein, which is made from skim milk powder.

Now the powerful American dairy industry lobby is using New Zealand's anti-nuclear policy as an argument to cut these imports by half. Identical bills seeking to impose a quota have been introduced in the US Senate and the House of Representatives.

Supporting the move Republican Senator Steve Gunderson of Wisconsin recalled that New Zealand, under its anti-nuclear policy, had barred access to US nuclear-powered warships. That should be taken into account when considering imposing a case in quota, and New Zealand should be told that the US could take counter measures, he said.

The US National Milk Producers Federation has called for an "all-out grass roots campaign" by US dairy farmers to tell Congress how important it believes it is to limit casein imports. The House of Representatives agriculture committee passed an amendment to the House Omnibus Trade Bill, in late March seeking a mandatory 50 per cent cut in casein imports.

The move to cut casein imports comes in spite of the fact that the US dairy industry itself does not produce casein. The US Milk Producers' Federation claims imported casein would be replaced by milk powder, but food processors say this does not have the same high nutritional value.

One major US customer for New Zealand casein is a catering company with a contract to provide in the region of 500,000 hospital meals a day.

The NZ Dairy Board regards the move in the Senate as being potentially more damaging to its important casein market than that in the House of Representatives.

In the Senate a Bill to restrict casein imports was introduced by Senator Tom Daschle, a Democrat from South Dakota. Senator Daschle is a member of two important committees, agriculture and finance, and it is thought he could use this position to win voting support. Co-sponsoring the Daschle Bill is senate agriculture committee chairman, Mr Patrick Leahy.

New Zealand has regularly resisted efforts by US dairy producers to limit casein imports but this year's concerted drive, using New Zealand's anti nuclear policy as a lever, is more powerful than in previous years.

About half the US casein requirements come from New Zealand. Most of the rest come from the EEC which would also suffer if blanket quota restriction was imposed.

LONDON MARKETS

COPPER prices lost further ground on the London Metal Exchange yesterday, with the cash price falling £17.50 to £897.50 a tonne. Dealers said there was general selling encouraged by the weaker trend in the New York market. Concern about the availability of supplies for nearby delivery has eased following an increase of nearly 16,000 tonnes in LME warehouse stocks in the past three weeks. This has been reflected in the narrowing of the cash premium over three-month copper. The forward price fell by only £7.25 to £873.50 a tonne, reducing the premium, which ended last week at £43.50, a tonne, to £26. The aluminium cash price was also down sharply as expectations of a sharp rise in LME stocks were renewed. The cash price fell £23 to £849 a tonne, but the three-month position closed £4 up at £800.50. The cash zinc price added £6.25 to Tuesday's £4.50 rise, taking it to £468 a tonne. Dealers said the advance was influenced by nervousness ahead of next week's labour contract vote at Cominco, the large Canadian metals group.

INDICES

REUTERS

Apr. 22	Apr. 21	M'th ago	Year ago
1660.5	1625.8	1626.9	1789.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Apr. 21	Apr. 20	M'th ago	Year ago
Spot	121.79	122.15	—	126.64
Fut	123.06	123.10	—	124.89

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Apr. 22 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1395/415	-40	$1390/410
Copper			
Cash Grade A	£897.5	-17.5	£926.5
3 mths	£873.5	-7.25	£896.75
Gold Troy oz	$444.25	-3.625	$413.75
Lead Cash	£353	+4.5	£310
3 mths	£321.5	+1.25	£301.75
Nickel			
Free Mkt	177.5/197.5c	+8.5	189/199c
Palladium oz	$139.50	-2.75	$126.75
Platinum oz	$590.50	-19.50	$540.75
Quicksilver†	$245/255	+5	$205/215
Silver troy oz	481.35p	+2.65	366.65p
3 mths	493.55p	+2.65	375.65p
Tin			
free Mkt	$4219/240	+10	£4230/260
Tungsten	$48.57		$47.08
Wolfram 22.2lb	$50/55		$47/52
Zinc	$468.00	+6.25	$449.5
3 mths	$468.00	+6.75	$448.75
producers	$750		$770/780
OILS			
Coconut (Phil)	$405x	-5	$360
Palm Malayan	$350v		$330
Seeds			
Copra (Phil)	$270	+10	$240
Soyabean (U.S.)	$159w		$134.5
GRAINS			
Barley Fut. Sept	£98.95	-0.30	£99.85
Maize	£143.25		£142.50
Wheat Fut. July	£124.70	+0.20	£122.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1326	-5.5	£1391.5
Coffee Ft. July	£1332.5	+6	£1282.5
Cotton A Ind.*	67.55c	-0.35	65.50c
Gas Oil June	$143.5	-1.25	$146
Rubber (kilo)	62.00p	-0.25	60p
Sugar (raw)	$170.5u	-7	$182
Wooltops 64s	471p kilo		460p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. x April-May. y May. w June-Aug. v July. u May-June

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	845-50	-23	851/850
3 months	800-1	+4	803/795

Official closing (am): Cash 849-50 (832-3), three months 796-7 (794-5), settlement 850 (833). Final Kerb close: 802-3.

Turnover: 20,300 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	897-8	-17.5	900/892
3 months	873-4	-7.25	879.5/873

Official closing (am): Cash 900.5-1.5 (917.5-8), three months 878-8.5 (879.5-80), settlement 901.5 (918). Final Kerb close: 873.5-4.

Standard			
Cash	856-60	-4	860/856
3 months	850-5	-7	—

Official closing (am): Cash 860-2 (860-5), three months 852-4 (865-60), settlement 862 (865). US Producer prices 66.50-70 cents per lb.

Total turnover: 42,050 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	352-4	+5.5	353.5/352
3 months	321-2	+1.25	323/317

Official closing (am): Cash 352-2.5 (350-50.5), three months 321-1.25 (320-1), settlement 352.5 (350.5). Final Kerb close: 320-1.

Turnover: 9,400 tonnes. US Spot: 24-28 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2406-7	-8.5	2405
3 months	2427-9	-4.5	2448/2425

Official closing (am): Cash 2400-5 (2400-5), three months 2420-5 (2429-30), settlement 2405 (2405). Final Kerb close: 2427-30.

Turnover: 1,320 tonnes.

KUALA LUMPUR TIN MARKET: Close 16.65 (16.61) ringgit per kg. Up 0.04 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	467.5-8.5	+6.25	470.5/467
3 months	467.5-8.5	+6.75	470/466

Official closing (am): Cash 466-7 (460-60.5), three months 466-6.5 (459.5-60), settlement 467 (460.5). Final Kerb close: 470-70.5.

Turnover: 12,575 tonnes. US Prime Western: 38.50-44 cents per lb.

GOLD

Gold fell $3¾ to $444-444½ on the London bullion market yesterday. News of strikes at two South African gold mines was ignored, but the market retreated on profit taking, in reaction to the firmer dollar. The metal opened at $448½-449 and was fixed at $446.80 in the morning and $445.50 in the afternoon. It touched a peak of $449-449½ and a low of $443-443½.

GOLD BULLION (fine ounce)		April 22
Close	$444-444½	(£272¼-272¾)
Opening	$448½-449	(£274½-275¼)
M'n'g fix	$446.80	(£274.599)
Aft'n'n fix	$446.50	(£273.615)

GOLD AND PLATINUM COINS

Am Eagle	$455-461	(£280½-283¾)
Maple leaf	$457¼-460½	(£281-283)
Kr'g'r'nd	$449-452	(£275¾-277¾)
½ Krug	$237-238	(£146¼-146¾)
¼ Krug	$120-121	(£73¾-74¼)
Angel	$454¼-457½	(£279¼-283)
1/10 Angel	$46-50	(£27¾-30¼)
New Sov.	$106-107½	(£65-66)
Old Sov.	$107-108½	(£65¼-66¾)
$ 20 Eagle	$510-560	(£313¼-344)
Noble Plat	$616-624	(£377¾-383½)

SILVER

Silver was fixed 2.65p an ounce higher for spot delivery in the London bullion market yesterday at 481.35p. US cent equivalents of the fixing levels were: spot 784.1c, down 0.15c; three-month 797c, down 0.15c; six-month 810.3c, down 0.15c; and 12-month 836.05c, down 0.3c. The metal opened at 480-483p (785-789c) and closed at 480-483p (781-785c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	481.35p	+2.65	480p	+5
3 months	493.55p	+2.65	491p	+5
6 months	503.45p	+2.80	—	
12 months	525.10p	+2.85	—	

LME—Turnover: 55 (4) lots of 10,000 oz.

Cash high/low 483p; three-months high 494p, low 493p, final kerb 490-3p.

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted selling throughout the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers): Spot 62.00p (62.25p); May 63.00p (63.25p); June 62.50p (62.75p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No. 1 was 231.5 (231.0); and for SMR 20 200.5 (199.5).

FUTURES—Index 594. May 590-597, June 590-597, July-Sept 590-597.

COFFEE

During a quiet day light trade selling encountered commission house buying, reports Drexel Burnham Lambert. After a poor opening prices recovered to test recent resistance levels but failed to break through on lack of volume. Light arbitrage business in the afternoon supported the market at the lower levels.

COFFEE	Yesterday close	+ or —	Business Done
May	1305-1306	-1.5	1315-1286
July	1330-1335	+6.0	1340-1311
Sept	1350-1355	+4.5	1365-1333
Nov	1385-1388	+12.5	1388-1359
Jan	1405-1418	+7.0	1410-1390
Mar	1427-1436	+4.5	1430-1415
May	1449-1450	-4.0	1450-1440

Sales: 3,849 (4,621) lots of 5 tonnes. ICO indicator prices (US cents per pound) for April 21: Comp. daily 1979 106.53 (105.92); 15-day average 101.36 (100.92).

COCOA

In a disappointing performance futures again failed to make the higher levels due and closed slightly lower. Physical interest was muted with producers and consumers unwilling to re-enter the market for the moment, reports Gill and Duffus.

Sales: 2,882 (3,892) lots of 10 tonnes.

	Yesterday's close £ per tonne	+ or —	Business done
May	1292-1293	-6.0	1299-1292
July	1325-1327	-5.5	1329-1325
Sept	1346-1348	-4.5	1349-1344
Dec	1368-1369	-4.0	1371-1368
March	1391-1392	-2.5	1395-1387
May	1411-1412	-2.5	1415-1409
July	1431-1432	-2.5	1435-1430

ICCO indicator prices (SDRs per tonne). Daily price for April 22: 1822.90 (1631.77); 10-day average for April 23: 1604.32 (1599.89).

POTATOES

In quiet trade the nearby May position held steady most of the day before slipping on the close. April, however, was immediately easier following improved planting figures and a good forecast up to the weekend, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
May	173.50	176.50	177.50-173.50
Nov	88.30	90.30	89.00-88.00
Feb	97.50	98.80	—
Apr	125.50	126.00	128.00-125.00
May	136.00	138.00	—

Sales: 490 (786) lots of 40 tonnes.

SUGAR

PARIS—(FFr per tonne): Aug 1114-1117, Oct 1144-1150, Dec 1165-1185, March 1195-1205, May 1225-1245, Aug 1255-1280.

LONDON DAILY PRICE—Raw sugar $170.50 (£105.00), down $7.00 (down £3.50) a tonne for May-June delivery. White sugar $186.50, down $8.50.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	145.8-145.8	147.2-147.4	146.4-142.8
Aug	147.8-148.0	151.8-151.8	153.2-147.8
Oct	153.8-155.4	157.8-157.8	155.8-153.2
Dec	155.8-156.8	158.8-162.0	162.0
Mar	162.8-162.8	166.8-166.8	167.8-162.4
May		169.0-169.8	—
Aug	169.0-171.8	172.4-174.8	174.8

Sales: 8,748 (2,755) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £209.00 (£213.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for April 21: Daily price 6.44 (6.75); 15-day average 6.87 (6.88).

FREIGHT FUTURES

Trading conditions were again thin and the market held within a very narrow range. Physical news included a report of Atlantic time charter at substantially higher rates, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	997/1000	1000/995	990
July	870	875/867	870/875
Oct.	920/925	925/924	950
Jan.	915/927	927	936
Apr.	960	—	950
July	770/840	—	780/840
Oct.	860	—	880
Jan.	880/920	—	950
BFI.	1003.5		1000.5

Turnover: 102 (191).

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
June	115.8-115.2	-0.85	115.8
August	113.8-115.2	-1.15	114.3
October	113.8-115.8	-1.35	114.8
Dec	116.0-116.4	-1.55	117.0
Feb	118.0-120.8	-2.05	—
April	121.8-122.8	-1.75	—

Sales: 372 (125) lots of 20 tonnes.

US MARKETS

INITIAL TRADE and commission house buying in gold futures steadied the market before trade selling at the highs prompted a sell-off touching stops, reports Drexel Burnham Lambert. However, renewed trade buying at the lows steadied prices and the market closed with pared gains. Silver was quieter than of late, with trade and local buying firming prices in the face of mixed selling. Trade selling on the opening of platinum was insufficient to prevent the market rallying on local buying. In copper futures long-liquidation touched off sell stops in the May contract, easing prices throughout the day as fund and commission selling persisted, narrowing the May/July switch. Initial commission house support in crude oil futures faded as trade, local and commission house buying emerged to touch off stops as the market weakened. Origin and trade selling eased coffee futures in the face of speculative buying. Cocoa futures fell on a combination of light hedge selling and dollar strength. Sugar futures fell on speculative selling but the trade was a buyer at the lows. Cotton futures continued to slide as commission houses liquidated positions in the May contract. The trade was a noted buyer of the May/July. Orange juice futures featured good trade and commission house selling in the face of mixed buying.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
May	63.75	64.00	64.00	63.55
June	62.40	62.15	—	—
July	61.75	61.50	61.50	61.50
Sept	58.20	58.20	58.70	58.00
Dec	58.20	58.20	—	—
Jan	58.20	58.20	—	—
March	58.20	58.20	—	—
May	58.20	58.20	—	—
July	58.20	58.20	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1955	1978	1988	1953
July	1994	2022	2008	1991
Sept	2016	2044	2028	2015
Dec	2045	2077	2054	2045
March	2075	2086	2080	2070
May	2100	2120	—	—
July	2120	2140	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
May	113.91	114.25	114.30	112.50
July	116.87	116.42	116.30	114.60
Sept	117.17	118.00	117.75	116.25
Dec	119.30	120.82	120.50	119.50
March	121.55	122.77	122.00	121.00
May	122.55	124.38	123.50	123.00
July	123.58	125.90	125.00	124.00
Sept	123.50	126.50	126.00	126.00

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
May	62.75	63.35	63.15	62.05
June	62.10	63.25	—	—
July	62.05	63.15	63.00	62.00
Sept	62.15	63.25	63.10	62.10
Dec	62.45	63.55	63.50	62.40
Jan	62.60	63.70	—	—
March	62.85	63.95	63.95	62.95
May	63.25	64.35	64.05	64.00
July	63.65	64.75	64.45	64.45
Sept	64.05	65.15	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
May	62.57	63.37	64.20	62.00
July	60.98	61.45	61.95	60.60
Oct	60.40	61.50	61.60	60.30
Dec	60.70	61.23	61.50	60.55
March	61.60	61.75	62.40	61.40
May	62.01	62.80	62.80	62.01
July	62.55	63.35	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
June	18.39	18.40	18.51	18.27
July	18.02	18.05	18.14	17.90
August	17.80	17.84	17.93	17.70
Sept	17.70	17.74	17.82	17.60
Oct	17.63	17.71	17.78	17.58
Nov	17.64	17.69	17.75	17.60
Dec	17.80	17.69	17.80	17.57
Jan	17.65	17.67	17.70	17.60
Feb	17.70	17.67		

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
April	449.4	447.6	449.8	445.0
May	450.2	448.9	448.0	448.0
June	452.5	451.0	453.4	445.8
August	457.8	456.3	459.0	451.5
Oct	497.6	495.8		492.5
Dec	466.0	468.5	469.0	461.0
Feb	473.5	472.0	473.5	467.8
April	479.0	477.5	476.8	473.5
June	494.8	483.2	482.0	479.0
	Close	Prev	High	Low

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
May	47.60	47.71	48.25	47.10
June	47.50	47.80	48.10	47.00
July	47.45	47.55	47.96	47.10
August	48.06	48.17	48.30	47.70
Sept	48.00	48.93	49.30	48.50
Oct	49.50	49.75	50.00	49.30
Nov	50.25	50.55	50.25	50.00
Dec	51.00	51.35	51.00	50.70

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
May	134.50	135.60	136.00	134.50
July	132.05	132.65	133.40	131.75
Sept	129.15	129.70	129.95	129.25
March	125.55	126.00	—	—
May	125.55	126.00	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
April	600.5	593.1	601.0	593.5
June	604.0	596.1	604.0	604.0
July	607.0	597.6	608.0	594.5
Oct	612.5	603.1	614.0	600.5
Jan	616.0	608.6	617.0	606.5
April	618.0	614.1	623.0	612.5

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
May	804.5	786.5	807.0	777.0
June	809.4	791.2	807.0	791.0
July	814.4	796.0	818.0	786.0
Sept	824.5	806.3	830.0	797.0
Dec	839.8	821.0	842.0	810.0
Jan	845.0	826.0	831.0	831.0
March	858.1	836.0	860.0	825.0
May	866.4	847.1	864.0	836.0
July	878.0	858.6	875.0	859.0
Sept	889.7	869.8	890.0	861.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
May	6.38	6.56	6.46	6.35
July	6.54	6.68	6.68	6.54
Sept	6.72	7.04	7.00	6.80
Oct	6.86	7.05	7.05	6.85
Jan	7.07	7.30	7.20	7.20
March	7.22	7.46	7.44	7.22
May	7.38	7.59	7.50	7.45
July	7.52	7.74	7.73	7.52

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	65.17	65.32	65.50	64.85
August	61.07	61.40	61.55	60.75
Oct	60.20	60.62	60.65	60.00
Dec	60.87	61.02	61.20	60.52
Feb	60.27	60.40	60.70	60.27
June	61.45	—	61.50	61.20

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	53.17	53.42	53.35	52.55
July	50.05	50.32	50.32	49.55
Aug	46.75	47.20	47.20	46.55
Oct	41.87	42.05	41.97	41.30
Feb	40.30	40.55	40.60	40.20
June	39.70	39.85	39.90	39.67

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	Prev	High	Low
May	172.4	173.8	173.2	171.4
July	176.6	177.8	177.6	175.2
Sept	178.4	180.2	179.0	177.0
Dec	182.4	184.2	183.2	180.6
March	189.4	191.2	189.6	188.0
May	191.6	193.4	192.4	190.4
July	193.0	194.4	194.0	192.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
May	73.70	73.92	74.12	72.80
July	71.30	71.55	72.20	70.50
Aug	67.32	67.25	67.60	66.30
Feb	58.80	58.60	58.82	58.10
March	58.00	58.00	58.40	57.85
May	59.30	59.65	59.35	58.00

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
May	514.0	514.2	514.0	510.2
July	517.0	517.6	517.2	512.2
Aug	518.2	517.4	516.4	512.4
Sept	508.6	510.4	509.4	505.0
Nov	509.2	511.6	509.6	504.0
Jan	516.0	518.4	518.6	511.6
March	523.6	526.4	524.0	519.4
May	528.2	531.0	528.4	524.0
July	529.0	531.4	529.0	525.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
May	150.6	149.4	150.7	148.8
July	150.7	150.0	150.9	148.7
Aug	151.1	150.6	151.2	149.0
Sept	151.2	150.7	151.5	148.5
Oct	151.5	150.8	151.5	149.0
Dec	152.1	151.8	152.3	149.8
Jan	153.0	152.7	153.0	150.0
March	155.5	154.6	155.5	152.4

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
May	15.61	15.85	15.75	15.59
July	15.93	16.19	16.08	15.92
August	16.12	16.40	16.27	16.12
Sept	16.25	16.55	16.41	16.25
Oct	16.38	16.63	16.56	16.38
Dec	16.69	16.91	16.89	16.69
Jan	16.70	16.93	16.92	16.70
March	17.15	17.40	17.25	17.05

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
May	277.0	278.4	278.4	273.4
July	263.6	269.2	267.2	263.0
Sept	265.8	269.0	268.6	264.6
Dec	272.0	275.6	274.6	271.0
March	272.2	275.6	275.0	271.4
May	266.0	269.0	268.0	265.4

SPOT PRICES: Chicago loose lard 13.25 (same) cents per pound. Handy and Harman silver bullion 783.0 (773.0) cents per troy ounce. New York tin 317-20 (318-20) cents per pound.

GRAINS

LONDON GRAINS—Wheat: US dark northern spring No. 1 15 per cent April/May 94.00, June 93.50, July 93.00 sellers. US No. 2 soft red winter June 91.25, July 88.25. French 11½-12 per cent April 143.50. English feed fob April 124.00 sellers, May 124.00-125.00 buyers/sellers, Sept 102.50-103.50, Oct/Dec 106.75, Jan/March 111.00 sellers. Maize: US No. 3 yellow/French transhipment east coast March 143.25. Barley: English feed fob April 116.50, May 116.50, Aug 101.00, Sept 103.00, Oct/Dec 106.00 sellers.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
May	121.10	+0.15	110.65	-0.85
July	124.70	+0.20	—	
Sep.	100.75		98.95	-0.30
Nov.	102.95	-0.05	101.45	-0.35
Jan.	105.85	-0.10	104.05	-0.35
Mar.	108.30	-0.20	106.40	-0.30
May	111.30	-0.15	108.30	-0.30

Business done—Wheat: May 121.30-0.95, July 124.80-4.60, Sept 100.75-0.50, Nov 102.95-2.75, Jan untraded, March 106.30-6.25, May 111.20. Sales: 569 lots of 100 tonnes. Barley: May 111.10-10.65, Sept untraded, Nov 101.50-1.45, Jan 104.05, March and May untraded. Sales: 76 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 111.80, Scotland 112.30. The UK monetary coefficient for the week beginning Monday April 26 (based on HGCA calculations using three days' exchange rates) is expected to remain unchanged.

Old crop wheat trade was almost all transacted on May/July switching with one shipper broker a noted seller of May. Values were generally steadier with May short-covering entering the market only one day prior to first day tenders. Old crop barley values tumbled again on long liquidation. New crops recovered after early losses on wheat, although barley found sellers on the close, reports T. G. Roddick.

HEAVY FUEL OIL

Month	Yesterday close	+ or —	Business Done
	US $ per tonne		
May	104.00	—	104.00
June	97.50	—	99.00-97.50

Turnover: 12 (0) lots of 100 tonnes.

OIL

15-day Brent traded actively at $17.75 for June while May sold at around $19.12 before prices followed Nymex lower towards the close. June WTI opened 3c up on Nymex but traded 7c down at 1.30 pm EDT. Gas oil firmed in the morning but fell back in the afternoon when Nymex opened.

Naphtha firmed on buying interest needed to cover for April positions. Gasoline was quiet and stable. Fuel oil was stable—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—May		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.80-16.85*	-0.025
Brent Blend	18.00-18.05	-0.05
W.T.I. (1pm est)	18.80-18.90	+0.025
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	196-200	—
Gas Oil	144-146	—
Heavy fuel Oil	109-111	—
Naphtha	171-174	+5

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close	+ or —	Business Done
	US$ per tonne		
May	144.50	-0.75	146.25-44.50
June	143.50	-1.25	145.50-43.50
July	143.75	-1.50	146.00-43.75
Aug	146.00	-1.00	147.25-45.75
Sept.	146.50	-1.50	—

Turnover: 2,800 (2,360) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.18p per kg lw (+1.06). GB—Sheep 273.71p per kg est dcw (+18.51). GB—Pigs 77.00p per kg lw (-0.05). GB—AAPP 100.14p per kg lw (-0.50).

FUTURES—Pigs: April 99.40, Nov 100.80, Sales 3.

Thai tin exports

THAILAND EXPORTED 1,733 tones of tin in March, up from 1,120 tonnes the previous month but down from 2,446 tonnes a year ago, the Mineral Resources Department said, reports Reuter from Bangkok.

It said major buyers last month were Singapore, the Netherlands and Japan.

Thai tin exports fell to 4,660 tonnes in the first quarter from 5,917 tonnes a year ago.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm, but nervous

THE DOLLAR improved yesterday, supported by speculation about higher US interest rates; fears of further central bank intervention; encouraging economic news; and expectations that US growth was strng in the first quarter.

Today's first quarter gross national product announcement is expected to show growth of between 3 per cent and 4 per cent, which dealers suggested might be strong enough to justify a tightening of the Federal Reserve's monetary policy. This would not only assist the dollar, but counter fears of rising US inflation.

A sharp jump of 3.4 per cent in March US durable goods orders, against expectations of a 0.5 per cent to 1 per cent fall, helped underpin the dollar yesterday, but excluding defence the increase was only 0.8 per cent.

In spite of the recent improved performance, supported by central bank intervention, the underlying tone remains nervous, reflected in rumours, denied by the Federal Reserve, that Mr Paul Volcker, the Board chairman, had resigned.

Further rumours of a rise in the US discount rate lent support, but wailed to convince dealers there would not be another weakening of the dollar to reduce the trade deficit.

The dollar rose to DM 1.8240 from DM 1.8165; to FFr 6.0675 from FFr 6.0425; to SFr 1.4970 from SFr 1.4930, and was unchanged at Y142.35.

On Bank of England figures the dollar's index rose to 101.4 from 100.9.

STERLING—Trading range against the dollar in 1987 is 1.6340 to 1.4710. March average 1.5926. Exchange rate index fell 0.1 to 72.4, compared with 67.6 six months ago.

Sterling remained steady after the Bank of England intervened to prevent a rise against the D-mark. The political and economic news was generally favourable, particularly the NOP opinion poll in the London Evening Standard giving the Conservatives a lead of 15 points over Labour. Monthly money suppply and banking lending figures for March were in line with expectations.

The pound fell 65 points to $1.6270-1.6280 and also declined to Y231.75 from Y232.50 and to SFr 2.4375 from SFr 2.44, but was unchanged at DM 2.9675 and rose to FFr 9.8750 from FFr 9.8725.

D-MARK—Trading range against the dollar in 1987 is 1.9350 to 1.7870. March average 1.8355. Exchange rate index 146.0 against 142.6 six months ago.

The D-Mark lost ground to the dollar in Frankfurt. The Bundesbank intervened on a moderate scale to support the dollar on Tuesday, but there was no sign of the central bank in the market yesterday. Interest rate considerations and forecasts of a large rise in first quarter US GNP growth supported the dollar.

As expected the Bundesbank drained liquidity from the domestic banking system, by not fully replacing an expiring securities repurchase agreement at yesterday's tender.

The Bundesbank did not intervene when the dollar was fixed at DM 1.8205, compared with DM 1.8084. It closed in Frankfurt at DM 1.8230, against DM 1.8090 previously.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 141.10. March average 151.41. Exchange rate index 224.1 against 213.5 six months ago.

The yen eased against the dollar, on speculation the US Federal Reserve would soon raise its discount rate. This also led to suggestions the Bank of Japan might cut its 2.5 per cent discount rate before Mr Yasuhiro Nakasone, visits Washington on April 29. But the rumours were regarded with scepticism, particularly as Mr Satoshi Sumita, Governor of the Bank of Japan, said earlier this week the central bank does not plan a further easing of credit policy.

The dollar rose in Tokyo to Y142.70 from Y142.10.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0699	+1.44	+0.87	± 1.5344
Danish Krone	7.85212	7.83136	−0.26	−0.83	± 1.6404
German D-Mark	2.05853	2.07957	+1.02	+0.45	± 1.0981
French Franc	6.90403	6.91916	+0.22	−0.35	± 1.3674
Dutch Guilder	2.31943	2.34570	+1.13	+0.56	± 1.5012
Irish Punt	0.768411	0.777447	+1.18	+0.61	± 1.6684
Italian Lira	1483.58	1482.47	−0.07	−0.07	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 22	Latest	Previous Close
£ Spot	1.6280-1.6290	1.6325-1.6335
1 month	0.42-0.39 pm	0.44-0.43 pm
3 months	1.15-1.10 pm	1.11-1.09 pm
12 months	3.30-3.20 pm	3.16-3.06 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Apr. 22	Previous
8.30 am	72.6	72.5
9.00 am	72.5	72.5
10.00 am	72.4	72.4
11.00 am	72.4	72.5
Noon	72.4	72.5
1.00 pm	72.5	72.5
2.00 pm	72.4	72.5
3.00 pm	72.4	72.5
4.00 pm	72.4	72.5

CURRENCY RATES

Apr. 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79203	0.700848
U.S. Dollar	5.5	1.2901	1.14168
Canadian $	7.90	*	1.51729
Austrian Sch.	4	16.5136	14.6227
Belgian Franc	8	48.6055	43.0699
Danish Krone	7	8.82036	7.83136
Deutsche Mark	3.0	2.3487	2.07957
Neth. Guilder	4½	2.63943	2.34570
French Franc	9½	7.8092	6.91916
Italian Lira	11.5	1674.55	1482.47
Japanese Yen	2½	184.10	162.635
Norway Krone	8	N/A	7.71377
Spanish Peseta	—	*	145.507
Swedish Krona	7½	*	7.22228
Swiss Franc	3.5	*	1.70910
Greek Drach.	20½	172.253	152.928

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6245-1.6335	1.6270-1.6280	0.45-0.42c pm	3.21	1.13-1.08 pm	2.72
Canada	2.1641-2.1835	2.1660-2.1670	0.39-0.30c pm	1.91	0.74-0.58 pm	1.22

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Prices mostly stronger

STERLING BASED instruments were higher in the London International Financial Futures Exchange yesterday. Sentiment was helped by overnight strength in Chicago as well as a sharp recovery on Wall Street.

US Treasury bonds were also higher despite speculation that the US Federal Reserve was contemplating a hike in the US discount rate. Much will depend on the release today of US first-quarter GNP figures which many people expect to be sufficiently encouraging to allow the authorities to protect the dollar with higher interest rates without damaging prospects of continued economic growth.

US durable goods orders for March rose by a surprise 3.4 per cent. The rise was 0.8 per cent excluding the defence element but this was still better than market expectations which had been looking for a fall of between 0.5 per cent and 1 per cent.

US Treasury bonds for June delivery opened at 92-18 compared with 91-02 on Tuesday and eased to 92.00 before coming back to finish at 92-26. UK banking statistics were much in line with expectations and did not spoil the generally favourable tone of the market. Sentiment was also enhanced by the latest opinion poll which gave the Conservative Party an even bigger lead over its rivals. For the time being, however, there appeared to be only limited room for further appreciation unless cash rates start to suggest another cut in base rates. With sterling requiring intervention from the Bank of England to stop it from appreciating too far against the D-Mark and the prospects of a June election enjoying a revival, however, some dealers were optimistic about the chances of an early cut in base rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	12.06	12.15	0.00	0.09
114	10.06	10.23	0.00	0.17
116	8.07	8.38	0.01	0.32
118	6.10	6.60	0.04	0.54
120	4.19	5.29	0.13	1.23
122	2.45	4.05	0.39	1.63
124	1.28	3.01	1.22	2.59
126	0.42	2.06	2.31	4.00

Estimated volume total, Calls 2,404 Puts 866

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
90	3.33	4.19	0.45	2.25
92	2.04	3.16	1.16	3.22
94	1.00	2.25	2.12	4.31
96	0.27	1.45	3.39	5.51
98	0.08	1.12	5.20	7.18
100	0.02	0.52	7.14	8.58
102	0.01	0.34	9.13	10.40
104	0.00	0.22	11.12	12.28

Estimated volume total, Calls 291 Puts 206

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Apr	Calls—Last May	Puts—Last Apr	Puts—Last May
19250	4.23	4.82	0.13	2.72
19500	2.20	0.35	0.60	3.75
19750	0.85	4.10	1.75	5.00
20000	0.22	3.06	3.62	6.46
20250	0.04	2.25	5.94	8.13
20500	0.00	1.59	8.40	9.99
20750	0.00	1.10	10.90	12.00
21000	0.00	0.74	13.40	14.14

Estimated volume total, Calls 1 Puts 3

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

MONEY MARKETS

UK interest rates little changed

INTEREST RATES showed little change in London yesterday. Period rates may have shown a slightly softer feel in places while short-term rates were being held up by expectations of a very large shortage today. Sentiment was helped by the latest opinion poll which gave the Conservative Party a strong lead over opposition parties. At the same time UK banking figures were roughly in line with expectations and failed to dent market confidence. Sentiment was also helped by reports of intervention by the Bank of England to stop the pound from moving higher.

UK clearing bank base lending rate 10 per cent since March 18-19

Short-term rates were held up because delayed VAT payments estimated at £1¼m were expected to be cleared today. Overnight money opened at 9¾-9½ per cent and eased to 8¾-8½ per cent at one point before coming back to a high of 13 per cent. Late balances were taken around 10 per cent.

Discount houses were able to pick up funds quite cheaply during the morning and found it possible to hold on to paper ahead of today. Consequently the authorities' offer of assistance was only taken up to the tune of £7m which drove rates firmer during the afternoon.

The Bank of England forecast a shortage of around £250m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take-up of Treasury bills draining £186m and Exchequer transactions £50m. In addition there was a rise in the note circulation of £50m. These were partly offset by banks' balances which were brought forward £55m above target.

The forecast was revised to a shortage of around £300m, but the Bank gave no assistance in the morning.

In the afternoon it bought £7m of eligible bank bills in band 1 at 9⅞ per cent and gave late assistance of around £190m.

In Frankfurt the Bundesbank allocated DM6bn at its 28-day sale and repurchase tender at a fixed rate of 3.80 per cent. Successful applicants received the funds yesterday afternoon. The amount allocated was a little more than expected, given the high availability of short-term credit but was still less than a previous maturing facility which drained DM8.6bn.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Company Notices

The Chuo Trust and Banking Co., Ltd.

LONDON

U.S. $15,000,000.00

Floating Rate U.S. Dollar Negotiable Certificates of Deposit
Due 31 May 1988
Callable at the issuers option on the 29 May 1987

In accordance with the terms set out in the Certificates Chuo Trust and Banking Co Ltd have elected to exercise their call option. The Certificates will therefore mature on the 29th May 1987 and payment will be effected on the principal amount plus interest at 6⅛% p.a. at Chuo Trust and Banking Co. Ltd. London.

The Chuo Trust & Banking Co Ltd
London Branch

Legal Notices

No. 00461 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
THE PRUDENTIAL ASSURANCE COMPANY LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16th March 1987, confirming the cancellation of £46,430,227 the amount standing to the credit of the share premium account of the above-named Company on 19th December 1986 was registered by the Registrar of Companies on 23rd March 1987.

Dated this 16th day of April 1987.

D. F. ROPER,
142 Holborn Bars,
London EC1N 2NH.
Solicitor for the above-named Company

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

Name of Company:
CLAYDRUM ENGINEERING SERVICES LIMITED
Registered No.: 1503517
Name and address of Joint Administrative Receivers:
Michael Joseph Moore and David James Waterhouse
Cork Gully, Albion Court
5 Albion Place, LEEDS LS1 6JP
Date of Appointment:
10 April 1987
Name of Appointer:
Barclays Bank plc
D. J. WATERHOUSE.
Dated 14 April 1987.

Obituaries

THOMPSON, Suddenly on April 14 at Ringwood, William Matthew Burns aged 46 years. Dearly beloved husband of Joan and father of Georgina, Chloe, Campbell, Forsyth, Fiona and Andrew. The funeral has taken place at Ringwood. Correspondence to 7 Lynton Road, Bournemouth, Dorset.

WORLD MARKETS

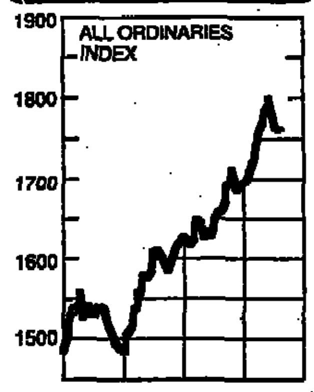
FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

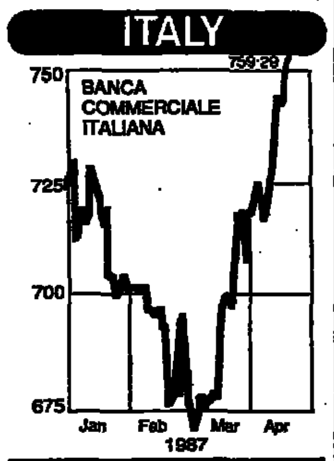
NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping — WEDNESDAY APRIL 22 1987	22 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (94)	128.49	−1.3	117.05	120.93	2.91	134.48	99.92	93.64
Austria (16)	92.21	−0.4	84.00	87.36	2.15	101.62	91.97	89.41
Belgium (47)	118.72	+0.1	108.15	111.11	4.30	120.40	96.19	83.09
Canada (131)	129.00	−1.0	117.51	124.28	2.24	136.17	100.00	98.89
Denmark (39)	112.75	−0.1	102.71	105.31	2.41	124.10	98.18	109.37
France (122)	118.62	+0.3	108.06	112.90	2.34	120.79	98.39	92.73
West Germany (90)	94.70	+1.0	86.27	89.80	2.08	100.33	84.00	94.06
Hong Kong (45)	103.32	+0.3	94.12	103.45	3.18	114.71	96.89	72.30
Ireland (14)	119.69	+0.7	109.03	115.00	3.72	131.44	99.50	91.72
Italy (76)	108.63	−0.5	98.96	105.51	1.55	109.14	94.76	90.18
Japan (458)	156.37	+0.0	142.45	140.70	0.47	156.37	100.00	73.62
Malaysia (36)	149.42	+0.4	136.12	142.72	2.69	149.42	98.24	69.75
Mexico (14)	150.11	−2.5	136.74	191.86	1.13	159.57	99.72	52.43
Netherland (38)	115.32	+1.6	105.05	108.40	4.11	118.24	99.65	89.43
New Zealand (27)	95.30	+0.1	86.81	87.60	3.07	100.59	83.93	70.54
Norway (23)	132.28	+1.3	120.50	121.15	1.92	132.28	100.00	106.46
Singapore (27)	125.88	+0.3	114.68	123.88	1.90	125.88	99.29	57.51
South Africa (61)	174.64	−0.8	159.09	117.48	3.38	186.74	100.00	98.39
Spain (43)	117.01	+1.0	106.59	113.06	3.28	121.31	100.00	82.56
Sweden (33)	119.53	+0.1	108.88	111.96	2.06	119.53	90.85	93.46
Switzerland (51)	97.20	+0.3	88.55	90.21	1.90	104.06	93.26	85.62
United Kingdom (342)	128.81	+0.3	117.34	117.34	3.57	133.88	99.65	100.45
USA (598)	117.86	−1.8	107.36	117.86	3.12	124.06	100.00	101.57
Europe (934)	115.02	+0.4	104.78	107.17	2.92	115.20	99.78	94.64
Pacific Basin (687)	153.38	+0.0	139.72	138.65	0.61	153.41	100.00	74.22
Euro-Pacific (1621)	138.07	+0.1	125.78	126.13	1.38	138.07	100.00	82.27
North America (729)	118.45	−1.8	107.90	118.22	3.07	124.60	100.00	101.43
World Ex. US (1827)	138.15	+0.1	125.85	126.06	1.44	138.15	100.00	83.00
World Ex. UK (2083)	130.36	−0.7	118.76	123.79	1.88	131.27	100.00	89.33
World Ex. So. Af. (2364)	129.93	−0.6	118.36	123.19	2.02	130.72	100.00	90.22
World Ex. Japan (1967)	117.79	−1.0	107.30	114.35	3.02	121.08	100.00	98.24
The World Index (2425)	130.22	−0.6	118.62	123.17	2.03	131.01	100.00	90.27

Base values: Dec 31, 1986 = 100

AUSTRALIA



ITALY



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$360	28	91A	—	—	—	—	$445.80
GOLD C	$400	33	48	25	58	10	66	"
GOLD C	$420	158	29	198	42	66	55	"
GOLD C	$440	275	14	57	328	159	41	"
GOLD C	$460	146	6	170	22	5	33	"
GOLD C	$480	73	3.20	9	15.50	167	24.50A	"
GOLD P	$370	—	—	—	—	350	2	"
GOLD P	$390	—	—	112	2	30	4.90	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 42,427

A=Ask B=Bid C=Call P=Put

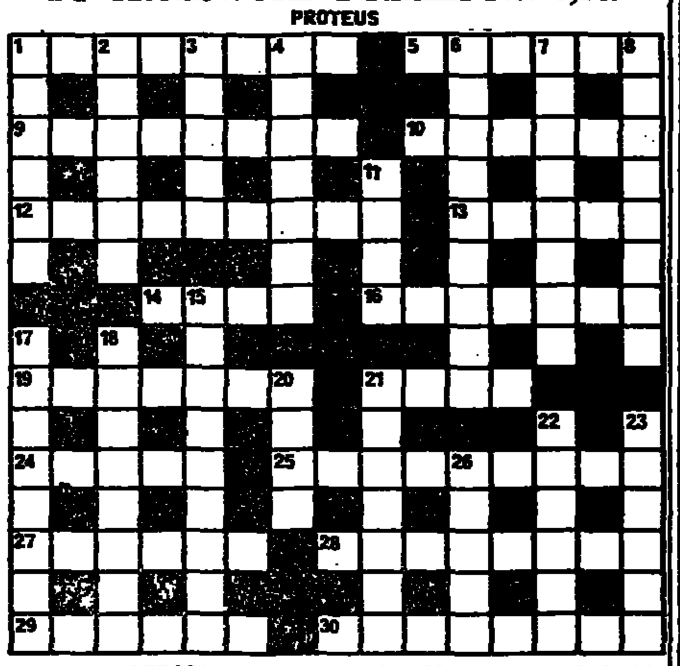
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mat Credit Corp. Ltd.	10
Allied Arab Bk Ltd.	10	Citibank Savings	¶12.45	Nat. Bk. of Kuwait	10
Allied Dunbar & Co.	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk	10	Comm. Bk. N. East	10	Northern Bank Ltd.	10
Amro Bank	10	Consolidated Cred	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	★ Co-operative Bank	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk.	10	Provincial Trust Ltd.	11
Associates Cap Corp	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd	10½	E. T. Trust	11	Roxburghe G'rantee	10½
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Smith & Williamson Secs.	10
Bank Credit & Comm	10	First Nat. Fin. Corp	11	Standard Chartered	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11	Trustee Savings Bk	10
Bank of Ireland	10	● Robert Fleming & Co	10	UDT Mortgage Exp.	¶11.1
Bank of India	10	Robert Fraser & Ptrs	11½	United Bk of Kuwait	10
Bank of Scotland	10	Grindlays Bank	‡10	United Mizrahi Bank	10
Banque Belge Ltd.	10	● Guinness Mahon	10	Unity Trust PLC	9½
Barclays Bank	10	HFC Trust & Savings	10	Westpac B'nking Corp	10
Benchmark Tst Ltd.	10	● Hambros Bank	10	Whiteaway Laidlaw	10½
Beneficial Trust Ltd.	11	Heritable & Gen. Tst.	10	Yorkshire Bank	10
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co.	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst.	10	Lloyds Bank	10		
Cl. Bank Nederland	10	Mase Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd.	10	Midland Bank	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Savewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,309

PROTEUS



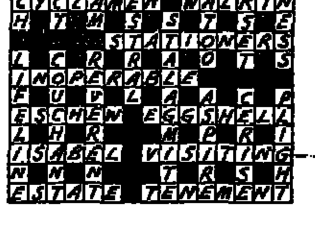
ACROSS

1 The gift of putting party before country (8)
5 Duck tax on royal personage (6)
9 Dress material a fabulous bird might put out (8)
10 Did wrong to bring man round (6)
12 Novice opening without causing surprise (9)
13 You may wish to ring her by the sound of it (5)
14 In retreat captures gun (4)
16 Laid to the charge of society girl on crash diet (7)
19 Sat again having rested (7)
21 Dance to look back on (4)
24 Girl finding mother overbearing (5)
25 Bird taking fish from insect (9)
27 Credit half-back with violations of the law (6)
28 He drives horses to meet star perhaps (8)
29 Man fixes outside ropes (6)
30 Animal was ill when attacked (8)

DOWN

1 Angry about question on material (6)
2 Standard article produced by Northern Frenchman (6)
3 Not expressed in bill about bird (5)
4 Love taking wing in thought (7)
6 Capable of being scaled with wire round leg for example (9)
7 Key relationship not upsetting laity? (8)
8 Soviet leaders reputed to be hot-tempered (8)
11 Part of average day for senior citizens (4)
15 Will trial mean changing model? (9)
17 Facial contortions made by stern experts (8)
18 A paper is ordered to make an assessment (8)
20 Try to avoid low score (4)
21 Swindles in sport (7)
22 Permit motoring organisation to set up business combination (6)
23 Participated in quiet read perhaps (6)
26 Odd sailor getting up to dance (5)

Solution to Puzzle No. 6,308



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	271.6	288.9	+0.5	5.20
(Accum Units)	336.6	358.0	+0.7	5.20
UK Growth	336.3	357.7	+0.9	2.63
(Accum Units)	358.3	381.1	+1.0	2.63

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	39.6	41.9		1.78
MLA Income Trust	54.1	57.5	+0.2	3.92
MLA Int.	41.7	45.4	+0.6	0.81
MLA Gilt Unit Tst.	25.5	26.5	+0.1	9.92
MLA European Trust	35.2	37.3	+0.1	0.67
MLA American Tst.	27.5	29.1	+0.5	0.85
MLA Emerging Mns. Tst.	24.0	25.6	+0.1	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	119.0	123.2	---	7.06
Growth Units	97.5	103.4	---	2.60
High Income Unit	136.9	145.5	---	3.89
High Yielding Gilt Uts	62.6	65.7	---	8.04
Intl Growth Unit Tst.	157.9	167.8	---	0.32
UK Smaller Cos.	110.2	117.1	---	1.56
North American	80.7	85.8	---	0.40
Far East	141.6	150.5	---	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	296.0	314.9	---	3.95
General April 13	231.8	246.6	---	1.99
International April 13	155.0	164.9	---	0.64
Global Inc Fd April 13	48.6	51.7	---	5.08

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	164.9	174.4	+0.8	4.34

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	304.6	324.1	+1.9	0.42
Income	221.8	236.4	+0.3	3.68
Worldwide Recovery	167.7	179.0	+2.2	1.63
American Growth	73.8	78.8	+1.1	0.90
Intl Emerging Cos.	92.0	98.3	+0.2	0.69
Far East Growth Fd	97.9	104.0		0.75
European Growth Fd	64.8	69.2	+0.2	1.03

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 75447

Prolific American Inc	58.7	62.5	+0.4	3.79
Prolific C'vert & Gilt	116.4	123.9	...	4.74
Prolific Euro Gilt&In	51.1	54.4	...	2.62
Prolific Extra Inc	114.5	122.3	+0.5	3.57
Prolific Far East	215.0	228.3	+1.8	--
Prolific High Inc	77.7	82.2	+0.4	3.52
Prolific Intl	145.6	154.9	+1.1	0.26
Prolific N. Amer.	132.3	141.5	+1.0	—
Prolific Spec. Sits	94.0	100.4	+0.4	0.82
Prolific Technology	142.6	152.6	+2.9	—

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	100.2	106.7	+0.9	0.00
Japan Acc.	100.5	107.0	+1.0	0.00
Worldwide Inc.	77.8	82.4	+0.7	1.09
Worldwide Acc.	79.2	83.9	+0.7	1.09
European Tst Inc.	95.2	101.3	-0.3	0.34
European Tst Acc.	95.8	102.0	-0.3	0.34
North American Inc	64.8	69.0	+1.8	1.24
North American Acc.	64.7	69.9	+1.8	1.24
UK Equity Inc	79.8	84.9	+0.6	1.96
UK Equity Acc.	83.3	88.7	+0.6	1.94
UK High Inc Eqty Inc	58.5	62.3	+0.4	4.90
UK High Inc Eqty Acc.	59.6	63.5	+0.4	6.90
Hong Kong Trust	45.4	48.1	+0.5	0.38
Swiss Equities Trust	45.5	48.2	-0.2	1.91

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	96.1	102.3	+0.5	0.70
PM Income and Growth	87.1	92.7	+0.6	3.44
PM N American Growth	53.6	57.0	+1.4	0.35
PM European Growth	48.5	51.5	-0.1	0.62
PM Japan Growth	65.5	69.6	+1.1	0.39
PM Overseas Growth	52.5	55.8	+1.0	0.44

INSURANCES

Contd. on next Page

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.
Pensions Funds

American (Cap)	312.2	327.9		—
American (Acc)	434.8	456.7		—
Building Soc (Cap)	94.0	98.8		—
Building Soc (Acc)	130.9	137.5		—
Deposit (Cap)	154.1	161.9		—
Deposit (Acc)	214.6	225.4		—
European (Cap)	139.4	146.5		—
European (Acc)	194.1	204.0		—
Equity (Cap)	388.0	407.5		—
Equity (Acc)	539.8	566.9		—
Gilt (Cap)	241.7	254.0		—
Gilt (Acc)	339.4	356.4		—
Gold (Cap)	110.5	116.2		—
Gold (Acc)	153.9	161.9		—
Index-Linked (Cap)	93.1	97.8		—
Index-Linkd Gilt (Acc)	129.6	136.2		—
International (Cap)	108.6	114.1		—
International (Acc)	151.2	158.9		—
Intnl Inc (Cap)	103.1	108.4		—
Intl Inc (Acc)	143.6	150.9		—
Japan (Cap)	147.7	155.2		—
Japan (Acc)	205.7	216.1		—
Managed (Cap)	305.4	320.9		—
Managed (Acc)	425.5	446.9		—
PPP Fund (Cap)	286.6	301.0		—
PPP Fund (Acc)	398.8	418.8		—
Pacific (Cap)	257.1	270.0		—
Pacific (Acc)	358.0	376.0		—
Property (Cap)	132.2	139.0		—
Property (Acc)	184.2	193.5		—
Recovery (Cap)	187.1	196.6		—
Recovery (Acc)	260.6	273.8		—
UK Income (Cap)	108.1	113.6		—
UK Income (Acc)	150.6	158.3		—
Personal Pension (Acc)		1604.3		

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	212.0	223.2	+0.1	—
Do. Accum	237.2	249.7	+0.9	—
Special Situations	191.9	202.1	−0.8	—
Do. Accum	214.3	225.8	−0.7	—
North American	179.5	189.0	+2.7	—
Do. Accum	200.6	211.2	+1.3	—

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	186.2	196.0	+3.0	—
Managed Prospect Fund	146.6	154.4	+1.2	—
UK Equity Fd	216.1	227.5	+3.7	—
Fixed Interest	145.7	153.4		—
Pacific	183.9	193.6	−0.4	—
North American	119.1	125.4	+4.7	—
Pens. Managed	215.2	226.6	+2.7	—
Pens. UK Equity	251.6	264.9	+2.8	—
Pens. Overseas Equity	298.2	313.9	+7.4	—
Pens. Property	117.1	123.3	+0.1	—
Pens. Fixed Interest	157.3	165.6	+1.9	—
Pens. Index Linked	119.7	126.1	−1.4	—
Pens. Deposit	142.9	150.5	+0.3	—
P.R.P. UK Equity	108.7	114.5	+1.3	—
P.R.P. Overseas Equity	105.5	111.1	+2.7	—
P.R.P. Fixed Interest	106.3	111.9	+1.3	—
P.R.P. Property	96.3	101.4	+0.1	—
P.R.P. Index Linked	107.6	113.3	−1.2	—
P.R.P. Deposit	98.0	103.2	+0.2	—
P.R.P. Managed	107.2	112.9	+1.3	—
P.R.P. With Profits	98.6	103.8	+0.3	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	131.87	138.82		—
Guaranteed Deposit	117.71	123.70		—
International	176.31	185.58		—
Managed	144.72	152.38		—
Property	130.92	137.80		—
UK Equities	175.82	185.07		—
Pens Fixed Interest	123.82	130.33		—
Pens Grtd Deposit	118.27	124.49		—
Pens International	192.13	202.24		—
Pens Managed	153.38	161.45		—
Pens Property	143.56	151.11		—
Pens UK Equities	152.92	160.96		—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	285.3	300.4	+1.4	—
UK Equity	361.5	380.6	+1.8	—
Overseas Eq.	285.4	300.5	+1.1	—
American	239.1	251.7	+5.4	—

Providence Capital Life—Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assur.—Contd.

Royal Life Insurance Ltd

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assur.—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1987 High	Low	Stock	Price £	+ or −	Yield (1)	Yield (2)
129	129	Treas. 2pc '88 (297.1)	129	+	—	2.32
114	110	Do 2pc '90 (333.9)	113	+	1.33	2.79
96	93	Do. 2pc '92‡‡ (385.8)	94	+	2.29	3.20
128	127	Do. 2pc '96 (267.9)	125	+	3.15	3.71
111	110	Do 2½pc '01 (308.8)	107	+	3.38	3.75
110	100	Do. 2½pc '03 (310.7)	106	+	3.33	3.63
113	112	Do 2pc '06 (274.1)	109	+	3.28	3.63
108	98	Do 2½pc '09 (310.7)	104	+	3.27	3.50
112	112	Do. 2½pc '11 (294.1)	109	+	3.21	3.55
94	94	Do. 2½pc '13 (351.9)	92	+	3.26	3.51
102	94	Do. 2½pc '16 (322.0)	99	+	3.15	3.47
100	100	Do. 2½pc '20 (327.3)	96	+	3.19	3.42
85	77	Do. 2½pc '24 ‡‡ (385.3)	83	+	3.25	3.38

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for August 1986: 385.9 and for March 1987: 100.6 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
112	99	African Dv Bk 11¼Ln 2010	105	+	10.19	10.07
108	95	Asian Dev Bk 10¼pcLn2009	105	+	9.76	9.68
139	118	Australia 13½pc 2010	130	+	10.32	10.02
116	102	Do. 11½pcLn2015	113	+	10.03	9.94
114	102	Euro Inv Bk 11pc Ln 2002	111	+	9.89	9.56
108	97	Do 10¼pc2004	106	+	9.72	9.55
125	112	Int-Am Dev Bk 12½pc 2003	121	+	10.36	9.73

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Stock	Price	+ or −	Div. Gross	Cvr	Y'ld Gr's
Morgan (JP) $2.5	26	+1	$2.72	—	6.3
NYNEX $1	38	+	$3.48	—	5.5
PNH	22	+	$1.00	—	2.9
Pacificorp $3.25	21	+	$2.40	—	7.0
Pacific Telesis $0.10	25	−	$3.04	—	12.2
Pall Corp 25c	18	−	34c	—	1.1
Pennzoil 83c	46	+	$2.20	—	2.9
Pillsbury$	24	+	$1.00	—	2.5
Quaker Oats $5	27	+	80c	—	1.8
RJR Nabisco Inc.	34	+1	$1.60	—	2.9
Rep NY Corpn $5	30	+	$1.16	—	2.4
Rexnord $5	16	+	44c	—	1.7
Rockwell Intl. $1	17	+	$1.32	—	4.7

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc				
Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	8.00	6.00	8.43	Qr
£2,500+	10.00	7.50	10.60	Qr
Adams & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.75	9.75	Qr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	10.08	Qr
MoneyCare £1000-£5000	9.00	6.73	9.72	Mth
Mth. Int. Chq. £5,000+	9.25	6.91	10.05	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	11.25	8.47	12.06	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.10	6.84	9.68	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.00	6.75	9.40	Qr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cns Chq Deposit Acc	9.25	6.94	9.59	Mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	9.25	6.91	9.59	Qr.

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
28⅞xd	24¾	Sara Lee $1	27⅞xd	+¼	$2.00	—	4.4
10¾	10¾	Saul (B. F.) $1	10½	−⅛	20c	—	1.2
79	62⅝	Southwestern Bell $1	65½	+1¼	$6.96	—	6.5
17⅛	15¼	Staley Continental	16¼	−⅛	80c	—	3.0
44⅞	36⅜	Sun Co. Inc. $1	40⅝xd	+1¼	$3.00	—	4.5
74	60⅝	TRW Inc. $1¼	63¾xd	+⅝	$3.20	—	3.1
31	26¾	Tenneco $5	29⅛	+⅛	$3.04	—	6.4
18⅞	15⅞	Do. 10pcLn.Stk. 91-5	18⅝xd	....	10%	—	5.5
26¼	17⅞	Texaco $6.25	18⅞xd	+⅞	$3.00	—	9.7
57¼	53⅞	Time Inc. $1	56⅞	+¾	$1.00	—	1.1
14½	12⅞	Tricor $0.33	12⅞	....	36c	—	1.8
24⅞	20¼	Transamerica $1	20⅞xd	....	$1.76	—	5.2
11	967p	Transworld Corp $5	10	+⅛	20c	—	1.2
42¼	29¾	Tribune Corp.	38⅞	....	$1.40	—	2.2
18¼	17½	♦USX $1	17⅞	+⅛	$1.20	—	4.2
18½	17⅞	Union Carbide $1	18½	+¼	$1.50	—	5.0
31⅞	28¼	Utd. Technologies	28⅞	+⅛	$1.40	—	3.0
36⅞	30⅞	US West	31⅞xd	+⅛	$3.28	—	6.4
33⅞	31⅞	♦Woolworth $3½	30¾	+¾	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
23¾	21p	♦Abbot Energy Corp.	22p	....	—	—	—
21	10½	♦Amer. Barrick Res.	18½	−½	—	—	—
83p	36p	Aroeno	80½p	+2½	—	—	—
19¾	15¼	Bk. Montreal ǁ	16	+¼	$2.00	—	6.0
10½	849p	Bk. Nova Scot.ǁ	859p	+10	72c	—	4.0
20¾	18¾	BCE ǁ	19¼	−⅛	$2.40	—	6.0
960p	712p	♦Bow Valleyǁ	824p	−8	10c	—	0.6
19¾	12¼	♦Brascanǁ	16¾	−¼	88c	—	2.5
605p	279p	♦Breakwater Res.	524p	+34	—	—	—
13⅜	980p	Can.Imp.Bk. $2	10⅛xd	+⅛	$1.08	—	5.1

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
323	305	PWS Holdings 10p	323	+2	g9.25	2.9	4.0	11.7
386	326	Pearl Group 5p	360	+1	10.5	—	4.1	—
950	858	Prudential	832xd	−1	29.0	—	4.9	—
499	433	Refuge 5p	450	+1	15.75	—	4.8	—
£10½	854	Royal	888	+15	31.0	—	4.8	—
344	288	Sedgwick Group 10p	291	+1	12.0	1.7	5.6	12.4
255	207	Steel Burrill J. 10p	238xd	+2	9.0	2.0	5.2	13.3
505	427	Stewart Wr. 20p	428		13.0	2.0	4.2	14.9
450	377	Sturge Hldgs 20p	390xd	+10	16.0	2.5	2.1	26.1
853	645	Sun Alliance	853	+10	23.5	—	3.8	—
£11¼	944	Sun Life 5p	1175xd	+40	28.5	—	3.3	—
£69½	£46¾	Taisho M EDR	£65¼	+½	Q10%	—	0.6	—
£21½	£16¾	Torchmark $1.00	£17¾	+⅛	60c	—	2.2	—
335	240	Trade Indemnity	320xd	−5	4.3	—	1.8	—
£34	£27⅛	Travelers $1.25	£28⅞	+⅛	52.28	—	5.3	—
£32½	£23¾	USLIFE Corp. $1.0	£25	+¼	Q$1.20	3.2	3.1	10.0
595	560	Utd Friendly B 10p	595		†17.2	—	4.0	—
464	367½	Willis Faber 12½p	394	+1	10.75	♦	3.8	♦
60	41	Windsor Secs. 10p	60		0.7	1.5	1.6	55.6

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- *— Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	73		Fin. 13% 97/02	£111¾	+1
Craig & Rose £1	£151	−¼	Anotts	345	+35
Finlay Pkg. 5p	71	−1	CPI Hldgs	55	
Holt (Jos) 25p	915	+2	Carroll Inds.	121	+1
IoM Stm. £1	98		Dublin Gas	15	
			Hall (R. & H.)	104xd	
IRISH			Heiton Hldgs.	27	
Fund 13¾% 1985	£99½		Irish Ropes	150	
Nat. 9¾% 84/89	£97½	+½	Unidare	355	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadbury's	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds.	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Global markets and UK opinion poll boost equities and Government securities

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 6	Apr 23	Apr 24	May 5
Apr 27	May 7	May 8	May 18
May 11	May 28	May 29	Jun 8

* New time dealings may take place from 9.00 am two business days earlier.

London's bond and equity markets opened sharply higher yesterday in response to the overnight advances in New York and Tokyo. British Government bonds remained very firm at the end of the session, but equities proved unable to sutain a further upswing which followed publication of the latest UK opinion poll, showing substantial improvement in the Thatcher Government's electoral prospects.

The FT-SE 100 index closed 15.5 up at 1,955.7, after opening 16 points up and showing a 21-point gain at noon. The FT ordinary index, at 1,546.8, added 14.9.

Once again, turnover was moderate, and buyers of equities were very selective. The overnight surge on Wall Street, together with the rise in US bonds, was an unexpected bull factor. In London, however, the edge was taken off Wall Street's success by erratic movements in US bonds in Tokyo.

UK Gilts opened with gains of ⅜ and moved forward after an NOP opinion poll, published at midday, *showed the Government 15 points* ahead of the Labour Party. At the close, long-dated gilts were 1 point up.

The firmer trend in the dollar, together with the improvement in US bonds, reduced fears that US discount rate might be moved higher in order to protect the US currency.

At the same time, the opinion poll, by increasing the likelihood of an early election, strengthened hopes that British interest rates will remain steady. There was little support for the view of one brokerage economist that UK rates could be forced up to 12 per cent by the end of the year.

In the equity sector, banks were firm as interest rate uncertainties declined. **Bank of Scotland** improved on the news of good profits. **Natwest Bank** responded well to the reinstated Triple A status from the Standard & Poor's rating agency. Among speculative issues, **Sun Life** again attracted bid hopes.

On the industrial front, there was renewed demand for **British Gas** from Japanese sources. A softer trend in the pound helped major exporting stocks, and **Jaguar** stood out after disclosing good first-quarter sales news.

Renewed optimism on crude prices brought some buyers in for *the major oil stocks*. Once again, **British Petroleum** stood out, while **Shell** continued to drag behind.

With the dollar looking better, support for gold shares slackened, and prices slipped back as profits were taken.

Sentiment in the banking sector received a further boost by **Bank of Scotland's** better-than-expected interim results. First-half profits nearly £5m above optimistic expectations and a big dividend increase helped the latter's shares touch 465p before closing 10 higher on balance at 463p. **Midland** jumped 20 to 638p following publicity given to a Wood Mackenzie "buy" recommendation, while **NatWest** gained 13 at 596p on the announcement that the Standard Poors credit rating agency had restored the bank's triple A rating. **Lloyds**, still reflecting receding bad debt worries in the wake of Argentina's planned rescheduling agreement with its leading commercial bank creditors, moved up 12 in active trading to 505p. **Barclays**, however, failed to participate and closed 5 off at 505p after the annual general meeting. Elsewhere, **Bank of Wales** ended 4 better at 80p following the preliminary figures and **Morgan Grenfell** hardened 2 to 376p on reports that the company will today announce the appointment of Mr John Craven as its new chief executive.

Revived rumours of a possible bid from the TSB helped **Sun Life** feature Insurances with a gain of ⅜ at £11¾; meanwhile, South African conglomerate, Liberty Life, which controls just under 26 per *cent of SL's* equity, will attempt to put 3 directors on the 18-man board at the May 13 annual meeting. Elsewhere, **Royals** regained composure after the recent steep fall on fears of a premium price war in the US, closing 15 dearer at 888p ahead of today's annual general meeting.

Specialist building materials suppliers **RKF** staged a bright debut in the Unlisted Securities Market, the shares touching 68p prior to closing at 65p, a premium of 10 over the placing price of 55p.

Slightly busier trading developed in the Brewery sector, which recorded moderate gains. **Allied-Lyons** improved 4 to 381p and **Guinness**, awaiting today's 15-month results, settled 3 up at 320½p.

Leading Buildings took a modest turn for the better although business remained in low key. **Blue Circle** edged up 4 to 804p, while **Rugby Portland Cement** moved up 6 to 214p. **Tarmac** picked up 12 at 487p and **BPB Industries** improved 10 at 664p. Secondary issues continued to feature **Attwoods**, up 13 more at 289p on takeover speculation. **Aberdeen Construction** attracted support for a similar reason and closed 8 hiher at 242p.

In the Chemical sector, **Leigh** *Interests hardened 3 to 127p* following completion of the disposal of the last of the non-waste disposal activities of MJI Corporation, a company acquired by Leigh some two years ago.

Technical consideration in a restricted market boosted recently-overlooked **Amersham International** 21 to 580p.

Marks and Spencer continued to push forward in Stores, rising a few pence more to 216p on renewed support ahead of the annual results due on May 6 and, further consideration of the group's plan to sell sports goods. **Next** revived at 321p, up 4½, while **Gussies "A"** put on ⅛ at £11⅞ and **Harris Queensway** improved a few pence at 203p. **Laura Ashley**, on *the other hand, dropped 5 to* 171p after reporting first-half profits at the lower end of expectations. Elsewhere, **Wigfalls** jumped 24 more to 205p as investors continued to warm to the increased stake taken in the company by **Rushlake Instruments**. **Combined English** gained 6 at 265p following Press comment and revived speculative buying lifted **W. H. Smith "A"** 7 at 325p. **Ratners** gained 7 at 345p and **Paul Michael** *Leisure* rose 3 to 74p on bid hopes. **Ellis and Goldstein** fell 7 to 82½p on acute disappointment with the lower annual earnings.

British Telecom reflected the 15 point lead taken by the Tory party *in the latest NOP opinion poll and* closed with a rise of 9½ at 253p. **Thorn EMI**, which recently announced the sale of its major domestic and commercial appliance businesses to AB Electrolux of Sweden, added 12 at 655p, while **STC** gained 4 to 271½p on revived bid hopes. **Ferranti** met with speculative support and closed 4½ higher at 113½. Elsewhere in Elecricals, **United Scientific** closed a penny dearer on balance at 249p, after 252p, following news that the offer for sale of its Avimo Singapore subsidiary had closed heavily oversubscribed.

The Engineering sector provided several noteworthy movements, with **APV Baker**, prominent *at 840p, up 21, in response to* the good preliminary figures. Sizewell development prospects directed buying attention to **Babcock**, which advanced 11½ to 21½p. Better-than-expected annual results left **James Neill** 6 to the good at 233p, while stake changes prompted a gain of 7 to 147p in **Ratcliffs (Great Bridge)**. **Mellins** edged up 3 further to 214p and **Birmid Qualcast** rose 7 to 214p. Revived speculative interest left **Laird Group** 4 dearer at 331p.

Leading Foods gave a brighter performance and were featured by **Cadbury Schweppes** which rose 7 to 244p reflecting US demand overnight. **Tate and Lyle** picked up *5 at 723p, while United Biscuits* attracted late support on rumours of a broker's circular and settled 10 higher at 273p.

Selective demand was forthcoming for Hotels. **Trusthouse Forte** gained 6 to 233p while **Ladbroke** firmed a like amount to 418p.

Modest gains were the order of the day in the miscellaneous industrial leaders. **BOC**, however, were outstanding at 458p, up 10, on news that the company has been awarded a major contract worth around £150m-£200m over the next 15 years to supply high purity oxygen to BSC's integrated plant a Scunthorpe. **Beecham** rallied to 489p before settling a few pence better on the day at 487p, while **Glaxe** edged up a shade to close at £14⅝. **Hanson Trust** were actively traded (some 16m shares changed hands) before closing 3½ firmer at 156p. **Pilkington** rose 16½ to 789p. Elsewhere, **Beatson Clark**, in which Anglo African *recently acquired a 10.8 per cent* stake, advanced 30 to 313p, while **Morgan Crucible**, reflecting recent Press comment on expansion plans, were supported at 343p, up 13. Others to move ahead in belated response to newspaper mention included **Hestair**, 8 to the good at 218p, and **Rockware**, 7 higher at 78p. Comment on the preliminary figures prompted a further gain of 4 to 315p in **EIS**. **Minty**, up 20 more at 915p, continued to make headway following the recommended consortium offer and the proposal to retain the company's listing. **British Vita** rose 9 to 396p on the encouraging tenor of the chairman's statement *at the annual meeting*. **Savage** closed 10 to the good at 290p after news of the proposed acquisition of Douglas Kane share placing and open offer to shareholders. **NMW Computers** were noteworthy *for a gain of 20 at 345p*.

Among Leisure issues, **Julianas** put on 6 to 73p in reply to the improved annual profits and confident statement, while **Chrysalis** gained a similar amount to 258p ahead of today's half-year figures. Television issues showed **TV-am** 26 lower at 333p following comment on the preliminary statement.

Record first-quarter sales revitalised **Jaguar**, which rose 14 to 568p, and one or two Motor Component issues followed the movement. **Lucas Indusries** recovered 4 to 566p while **Kwik-Fit** added 2 more at 159p. Among Distributors, **T. Cowie** gained 20 further to 460p.

Boase Massimi's annual profits matched analysts' expectations but after-the-event selling brought the price down 12 to 343p. Other Agencies moved lower in sympathy with **Lopex** closing 5 off at 191p and **Lowe Howard-Spinks** 6 cheaper at 427p. *Geers Gross*, at 70p, gave back Monday's rise of 5 while marketing services group **FKB** fell 10 to 280p. **Jefferson Smurfit** advanced 13 to 438p but **International Business Communications** remained at 136p despite excellent full-year results. **DRG** were bought and ended 10 up at 405p.

The undertone in the Property sector remained firm and the leaders made further good progress with **MEPC** 7 higher at 392p and **Land Securities** 3 dearer at 410p.

Improved annual results and the hope to resume dividend payments this year gave **J. T. Parrish** a boost to 470p, up 15, *but further* profit-taking took **James Ferguson** down to 90p before a close of 7 lower on balance at 94p.

British Gas moved up to a record 98p during the morning following *another bout of extremely heavy* buying interest from overseas institutions but turned back to close ½ off at 96½p; turnover exceeded 53m shares.

Elsewhere, the strength of Wall Street on Tuesday and news that the company is seeking a listing on the Tokyo market boosted **BP** 9 to 881p. **IC Gas**, however, ran back 21 to 718p in the wake of news that SHV Holdings is increasing its stake in the company to 29.8 per cent by buying the 22.35 per cent currently owned by Tractebel and Groupe Bruxelles Lambert.

Inchcape edged nearer this year's high point as investors hoped for a good preliminary statement next Monday. The shares closed 3 higher at 602p. **Polly Peck** also managed further small improvement, still on demand generated by Chase Manhattan's recent recommendation, and ended 3 dearer at 237p.

The scintillating overnight performance by *Wall Street and* a good rally in the dollar upset precious metals and mining share markets.

Tuesday's recovery by South African golds proved a shortlived *affair. An abrupt and sizable fall* in the financial rand, coupled with the firm dollar and weak bullion, saw share prices marked down shaply at the outset and continue to give ground throughout the morning.

The Gold Mines index retreated 15.2 to 438.2.

Of the leading Golds **Vaal Reefs** were particularly weak and slumped £6 to £81, while **Randfontein** dipped £3½ to £93, **Western Deep** £2⅞ to £40⅝, and **Amgold** £3⅝ to £88⅝. **OFSIL** fell £1⅞ to £26⅝ ahead of the interim dividend expected today. **Freegold**, also due to announce an interim today, were ¾ off at £10½.

Other South African mining issues were also hit hard by the big fall in the rand. **De Beers** lost 40 to 783p and **Anglo American Corporation** ¾ to £14¼. Platinums suffered following rumours of a strike at Imapala's operations in South Africa. **Impala** were 43½ down at 994p and **Rustenburg** fell ⅜ to £10.

The UK-domiciled **Consolidated Gold Fields** gave ground in line with bullion and ended the session a net 18 lower at 970p. A bear squeeze left **Rio Tinto-Zinc** 14 to the good at 933p.

Most of the *Australian* issues turned easier, in line with Sydney and Melbourne markets

Traded Options

Heavy call option activity in British Gas saw 9,362 deals done out of the overall total of 54,929, a figure swollen by the expiry of the April series. British Airways were also active with 5,435 calls done, while 5,062 were struck in the TSB.

Traditional Options

- First dealings April 13
- Last dealings May 1
- Last declaration July 23
- For Settlement Aug 3

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included *Blackwood Hodge*, **B. Matthews**, **Helical Bar**, **Squirrel Horn**, **Control Securities**, **Common Bros.**, **Elsburg**, **Pentland Industries**, **Saatchi & Saatchi**, **Wigfall**, **Oliver Resources**, **Polly Peck**, **Raglan Properties**, **Astra Industrial**, and **EBC Group**. **Ulster TV** were dealt in for the put, while a double option was arranged in **Martin Ford**.

FINANCIAL TIMES STOCK INDICES

	Apr. 22	Apr. 21	Apr. 16	Apr. 15	Apr. 14	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.63	90.16	90.36	89.89	89.95†	94.23	92.19 (23/3)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.79	96.96	96.83	96.55	96.13	97.35	97.98 (19/3)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,546.8	1,531.9	1,540.3	1,515.1	1,506.7	1,394.5	1,625.2 (24/3)	1,320.2 (2/1)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	438.3	453.5	444.5	479.9	485.0	270.0	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.75	3.79	3.87	3.93	3.93	3.86				
Earnings Yld.%(full)	8.57	8.69	8.67	8.80	8.86	9.55				
P/E Ratio (net) (*)	14.46	14.24	14.25	14.05	13.95	12.84				
SEAQ Bargains (5 pm)	33,090	31,964	31,735	34,700	45,627	—				
Equity Turnover (£m)	—	945.21	1,244.48	1,322.56	1,362.83	611.00				
Equity Bargains	—	41,010	41,160	43,340	48,687	29,277				
Shares Traded (ml)	—	—	474.1	473.0	500.9	253.3				

S.E. ACTIVITY

Indices	April 21	April 16
Gilt Edged Bargains	96.4	113.3
Equity Bargains	265.7	266.7
Equity Value	1,910.5	2,515.4
5-Day Average		
Gilt Edged Bargains	130.0	138.9
Equity Bargains	288.2	296.4
Equity Value	2,415.4	2,643.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1543.6	1542.6	1550.5	1549.3	1549.6	1546.6	1546.8

Day's High 1551.6. Day's Low 1541.6 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.97. †Corrected

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (84)

BRITISH FUNDS (1), AMERICANS (3), BANKS (2), BREWERS (3), BUILDINGS (3), STORES (5), ELECTRICALS (4), ENGINEERING (5), FOODS (1), INDUSTRIALS (17), INSURANCE (2), LEISURE (1), MOTORS (1), PAPER (3), PROPERTY (9), SOUTH AFRICANS (1), TRUSTS (14), OILS (4), PLANTATIONS (1), MINES (4).

NEW LOWS (16)

AMERICANS (2) Lockheed Corp., Pall Corp., BANKS (1) Cie Bancaire, CHEMICALS (1) Morceau Hldgs., STORES (1) Gee (Cecil), ELECTRICALS (1) Renishaw, *INDUSTRIALS* (4) Granada, Jardine Hldgs., Magnacard, Waterford Glass, NEWSPAPERS (1) News Int. Spec. Div., PAPERS (1) Ogilvy Group, TRUSTS (3) China & Eastern Invs., City & Com. Inc., Scot & Merc. 'A', OILS (1) Petroz.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system on Thursday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,100	146	—	Imp. Cont. Gas	595	718	−21
Allied Lyons	3,200	381	+4	Jaguar	2,400	568	+14
Amstrad	1,400	176	—	Ladbroke	934	418	+4
Assoc. Brit. Foods	164	341	+1	Land Securities	1,000	410	+3
Argyll Group	2,700	398	+1	Legal & Gen.	2,100	272	+1
BAT	2,800	494	+2	Lloyds Bank	4,100	505	+12
BET	104	238	—	Lonrho	576	286½	−½
BOC	2,900	458	+10	MEPC	3,200	392	+7
BPB Inds	199	664	+10	Marks & Spncr	5,300	215	+2½
BPCC	190	313	+1	Midland Bank	1,700	638	+20
BTR	2,000	301	+1	NatWest Bank	1,900	596	+13
Barclays	1,400	505	−5	Pearson	438	617	+1
Bass	533	879	+6	P & O	4,000	592½	+2½
Beecham	865	487	+3	Pilkington Bros	1,800	789	+16½
Blue Circle	614	804	+4	Plessey	4,500	234	−3
Boots	1,300	278	—	Prudential	624	812	−1
Brit. Airways	11,000	146	—	Racal	2,500	219	+1½
Brit. Aero	1,200	629	+1½	Rank Org.	421	693	—
Brit. & Comm.	551	440	+1	RHM	422	306	—
Brit. Gas	46,400	96½	−½	Reckitt & Col	19	954	+5
Britoil	3,500	231½	−5½	Redland	538	425	+1½
BP	1,700	881	+9	Reed Intl.	1,350	375	—
Brit. Telecom	6,900	253	+9½	Reuters	96	671	+4
Bunzl	983	261	−2	RMC	91	791	+3
Burton	1,300	276	−½	RTZ	1,500	933	+14
Cable & Wire	4,800	356	—	Rowntree Mac	474	466	+1
Cadbury Schwps	3,900	244	+7	Ryl Bank Scotland	461	317	+3
Coats Viyella	218	553	−3	Royal Insurance	1,200	888	+15
Comm. Union	3,800	308	−1	STC	1,900	271½	+4½
Cons. Gold	810	970	−18	Saatchi & Saatchi	764	659	−4
Cookson	191	597	−2	Sainsbury	522	479	+6
Courtaulds	981	411½	+2½	Sears	1,900	130½	+1
Dee Corpn	962	213	−1	Sedgwick	427	291	+1
Dixons Grp	1,200	368	+2	Shell Trans	2,500	£11½	+¼
English China Clays	1,600	390	+7	Smith & Nephew	754	150	+½
Fisons	793	620	+2	Standard Chart	19	833	+2
Gen. Accident	485	925	—	Storehouse	1,600	287	+1
Gen. Elect	2,100	198	—	Sun Alliance	351	853	+10
Glaxo	967	£14⅝	+⅛	TSB	2,400	81½	−½
Globe Investment	229	150½	+1	Tarmac	1,200	486	+11
Granada	705	298½	—	Tesco	555	477	+4½
Grand Met	2,300	477	−1	Thorn EMI	2,100	655	+12
GUS "A"	62	£11⅞	+⅛	Trafalgar House	946	319	+6
Guardian R.E.	72	873	—	T'house Forte	3,800	233	+6
GKN	614	318	+5	Unigate	1,000	366	+2
Guinness	2,700	320½	+3	Unilever	146	£26¼	+⅛
Hanson Trust	16,000	156	+3½	United Biscuits	3,500	273	+10
Hawker Sidd.	1,100	486	+2	Wellcome	991	431	+3
Hillsdown Hlgs	4,100	280	+1	Whitbread "A"	721	318	+4
ICI	2,500	£12⅞	—	Woolworth	193	778	—

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	108	0	5
Corporations, Dominion and Foreign Bonds	23	9	36
Industrials	521	383	641
Financial and Properties	229	88	269
Oils	33	26	52
Plantations	2	3	9
Mines	27	53	102
Others	109	37	77
Totals	1,052	599	1,191

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday April 22 1987

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues April 21 Index No.	Thur April 16 Index No.	Wed April 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (188)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (26)	872.89	+0.8	8.03	3.38	16.45	7.32	865.88	870.53	864.58	696.91
26	Food Retailing (16)	2081.74	+0.5	6.14	2.60	22.45	10.45	2071.83	2099.10	2079.05	1938.43
27	Health and Household Products (10)	2192.36	+0.6	4.40	1.77	26.27	2.04	2178.46	2205.19	2149.54	1569.67
29	Leisure (32)	1236.47	+0.9	6.13	3.39	21.59	9.19	1225.44	1231.02	1227.54	933.65
31	Packaging & Paper (15)	592.18	+0.7	6.44	2.79	19.98	2.30	588.16	590.62	584.73	461.47
32	Publishing & Printing (14)	3460.71	+0.1	6.16	3.27	20.84	8.38	3458.07	3495.39	3427.08	2419.91
34	Stores (37)	959.34	+0.6	6.86	2.78	19.81	1.69	953.17	949.99	945.01	929.34
35	Textiles (16)	672.05	+0.1	8.03	3.11	14.30	0.44	671.20	683.25	671.40	535.47
40	OTHER GROUPS (88)	956.89	+1.3	8.34	3.49	14.92	7.19	944.41	948.52	933.75	813.92
41	Agencies (17)	1392.48	—	4.96	1.76	27.07	7.12	1392.36	1392.94	1378.75	0.0
42	Chemicals (21)	1198.29	+0.5	8.11	3.61	15.12	16.56	1192.21	1198.76	1186.40	912.61
43	Conglomerates (12)	1226.06	+1.6	7.38	3.45	16.04	4.04	1207.32	1209.83	1204.98	0.0
45	Shipping and Transport (11)	1958.94	+0.2	7.61	4.05	16.58	21.76	1954.39	1943.85	1912.26	1648.11
47	Telephone Networks (2)	984.54	+3.1	9.50	3.81	14.35	1.09	954.69	961.00	932.61	958.40
48	Miscellaneous (25)	1287.50	+0.4	9.36	3.40	12.04	16.87	1282.27	1291.63	1276.12	1000.05
49	INDUSTRIAL GROUP (483)	1021.64	+0.8	7.35	3.08	17.25	5.52	1013.60	1019.99	1005.82	868.42
51	Oil & Gas (17)	1814.54	+0.3	7.88	4.77	16.58	35.84	1809.28	1815.66	1800.55	1161.92
59	500 SHARE INDEX (500)	1088.77	+0.7	7.43	3.33	17.15	8.17	1080.99	1087.37	1073.14	895.53
61	FINANCIAL GROUP (118)	684.02	+0.7	—	4.25	—	8.42	679.23	679.09	669.66	625.73
62	Banks (8)	733.35	+1.1	19.27	5.09	6.87	14.36	725.18	721.31	704.42	681.58
65	Insurance (Life) (9)	933.73	+0.4	—	4.51	—	16.09	929.86	934.44	929.32	882.78
66	Insurance (Composite) (7)	525.60	+0.6	—	4.66	—	5.09	522.37	527.15	524.03	518.95
67	Insurance (Brokers) (9)	1113.78	+0.3	9.61	4.78	13.45	13.84	1110.86	1123.71	1099.66	1182.25
68	Merchant Banks (11)	365.77	+0.2	—	3.43	—	2.88	364.90	365.62	364.95	373.48
69	Property (47)	966.15	+0.8	4.68	2.99	27.83	2.76	958.60	951.56	937.45	769.17
70	Other Financial (27)	451.48	+0.3	7.33	3.34	17.37	3.04	450.28	458.74	446.25	355.93
71	Investment Trusts (95)	952.48	+0.6	—	2.44	—	5.01	946.81	952.65	948.40	764.85
81	Mining Finance (2)	470.07	+0.1	6.52	3.53	18.04	1.89	469.49	461.75	468.90	304.78
91	Overseas Traders (11)	925.69	+0.2	8.82	4.72	13.74	10.30	923.64	923.80	920.29	673.17
99	ALL-SHARE INDEX (726)	981.42	+0.7	—	3.45	—	7.96	974.59	979.12	966.98	816.39

	Index No.	Day's Change	Day's High	Day's Low	April 21	April 16	April 15	April 14	April 13	Year ago
FT-SE 100 SHARE INDEX ‡	1955.7	+15.5	1961.9	1950.4	1940.2	1949.4	1922.2	1908.9	1917.1	1665.2

FIXED INTEREST

	PRICE INDICES	Weds April 22	Day's change %	Tues April 21	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.43	+0.11	123.30	—	3.64
2	5-15 years	142.67	+0.52	141.93	—	4.94
3	Over 15 years	152.38	+0.98	150.90	—	4.78
4	Irredeemables	168.85	+1.05	167.09	—	1.62
5	All stocks	139.01	+0.49	138.34	—	4.49
	Index-Linked					
6	5 years	118.79	+0.24	118.51	—	0.83
7	Over 5 years	118.73	+0.23	118.46	—	1.17
8	All stocks	118.53	+0.23	118.26	—	1.13
9	Debentures & Loans	124.38	+0.28	124.04	—	2.80
10	Preference	86.63	−0.17	86.78	—	1.94

	AVERAGE GROSS REDEMPTION YIELDS		Weds April 22	Tues April 21	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.22	8.23	7.39
2		15 years	8.94	9.04	8.38
3		25 years	8.96	9.06	8.40
4	Medium Coupons	5 years	9.12	9.18	8.61
5		15 years	9.15	9.26	8.61
6		25 years	9.15	9.26	8.61
7	High Coupons	5 years	9.29	9.32	8.77
8		15 years	9.28	9.38	8.77
9		25 years	9.07	9.19	8.77
10	Irredeemables †		9.00	9.10	8.39
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	3.04	3.11	3.33
12	Inflat'n rate 5%	Over 5 yrs.	3.55	3.56	3.38
13	Inflat'n rate 10%	5 yrs.	2.48	2.54	2.17
14	Inflat'n rate 10%	Over 5 yrs.	3.43	3.44	3.22
15	Debs & Loans	5 years	9.96	9.98	9.88
16		15 years	10.11	10.15	9.79
17		25 years	10.15	10.19	9.70
18	Preference †		10.48	10.76	11.13

‡Opening index 1956.7; 10 am 1953.6; 11 am 1951.6; Noon 1961.0; 1 pm 1958.8; 2 pm 1959.3; 3 pm 1956.5; 3.30 pm 1955.4; 4 pm 1956.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*381)	330	51	60	70	0½	[illegible]	[illegible]
	360	21	36	48	1½	[illegible]	[illegible]
	390	0½	20	30	10	[illegible]	[illegible]
	420	0½	9	15	40	[illegible]	[illegible]
Brit. Airways (*146)	110	37	38	40	0½	[illegible]	[illegible]
	120	27	28	30	0½	[illegible]	[illegible]
	130	17	20	23	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 22. Total Contracts 54,929. Calls 42,865. Puts 12,064. FT-SE Index Calls 1,492. Puts 1,512. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

April 22	Price Sch%	+ or −
Creditanstalt	1990	−5
Goesser	3000	−50
Interunfall	12650	.....
Jungbunzlauer	8800	−30
Laenderbank	1920	.....
Perlmooser	687	+5
Steyr-Daimler	143	−1
Veitscher Mag	860	+2

BELGIUM/LUXEMBOURG

April 22	Price Frs.	+ or −
B.B.L.	3180	+100
Banque Gen. Du. L.	15400	.....
Bank Int. A Lux.	14800	.....
Bekaert B	10300	−75
Ciment CBR	5380	+60
Cockerill	141	.....
Delhaize	3345	.....
EBES	5310	+20
Fabrique Nat.	1750	−15
GB Inno BM	1050	−6
GBL (Brux)	3920	+10
General Bank	6800	.....
Gevaert	6650	−10
Hoboken	7060	−40
Intercom	4500	+100
Kredietbank	4650	+10
Pan Holdings	11900	.....
Petrofina	10450	+125
Royale Belge	6000	+60
Soc Gen Belge	3700	+40
Sofina	14450	+100
Solvay	10300	+200
Stanwick Intl.	450	.....
Tractionel	7300	.....
UCB	9380	+70
Wagons Lits	5780	+30

DENMARK

April 22	Price Kr %	+ or −
Baltic Skand	865	.....
Cop Handelsbank	264	+2
D. Sukkerfab	327	−3
[illegible]	[illegible]	[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

April 22	Price Dm.	+ or −
AEG-Telef	320	+7
Allianz Vers	1835	+40
BASF	278	+3.5
Bayer	314	+4.5
Bayer-Hypo	430	+12
Bayer-Verein	451.5	+8.5
BHF-Bank	438	+1
BMW	573	+32
Brown Boveri	314.8	+2.8
Commerzbank	273.5	+7.5
Cont'l Gummi	326.3	+5.3
Daimler-Benz	1030	+34
Degussa	500	+5
D'sche Babcock	214.5	+0.5
Deutsche Bank	668	+14
Dresdner Bank	353.5	+8.5
Feld Muehle Nob	296	+7
Henkel	502	+3.5
Hochtief	750	+3
Hoechst	284.5	+6
Hoesch Werke	113	+6.5
Holzmann (P)	418.5	.....
Horten	221	−1
Hussel	583	+11
Karstadt	433.5	+4.5
Kaufhof	474.5	−1
KHD	152.5	+1.5
Kloeckner	70	+5
Linde	693	+24
Lufthansa	188	−2
MAN	176.5	+9.5
Mannesmann	187.8	+6
Mercedes Hld.	858	+28
Metallgesell	333.5	+3.5
Muench Rueck	1830	.....
Nixdorf	827	+17
Porsche	860	.....
Preussag	170	.....
Rhein West Elect.	225	+3.2
Rosenthal	267	−0.5
Schering	627	+22
Siemens	722.3	+17.1
Thyssen	121.5	+7
Varta	362	+4
Veba	284.5	+7.2
V.E.W.	161	−1
Verein-West	421	.....
Volkswagen	354	+11.5

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

April 22	Price Pts.	+ or −
Banco Bilbao	1535	+25
Banco Central	1094	+11
Banco Exterior	490	+20
Banco Hispano	591	.....
Banco Popular	1729	+77
Banco Santander	1295	+5
Banco de Vizcay	1861	+21
Banesto	767	.....
Dragados	722	+12
Hidrola	71	−0.2
Iberduero	109	+1
Petroleos	530	+17.3
Telefonica	167.7	+0.7

SWEDEN

April 22	Price Kronor	+ or −
AGA (free)	201	.....
Alfa-Laval	335	−4
ASEA (Free)	325	+4
Astra (Free)	715	−5
Atlas Copco	179	+1
Beijer A Fria	230	.....
Cardo (Free)	200	.....
Cellulosa	342	+3
Electrolux B	318	−1
Ericsson	290	+4
Esselte	154	+1
Mo Och Domsjo	317	+9
Pharmacia	201	−2
Saab-Scania (free)	760	−10
Sandvik	170	+1
Skanska	160	.....
Skan Enskilda	122	+2
SKF	397	+5
[illegible]	[illegible]	[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

April 22	Price Aust$	+ or −
News	21.60	−0.5
Noranda Pacific	4	+0.15
North Bkn Hill	3.20	+0.05
Oakbridge	0.70	−0.02
Pacific Dunlop	4.80	+0.02
Pancont'l	3.45	+0.05
Pioneer Conc	3.92	+0.02
Placer Pacific	3.65	−0.1
Poseidon	13.60	−0.2
Queensland Coal	1.28	−0.02
Santos	5.50	+0.2
Smith (H.)	4.70	−0.05
Thos Natwide	4.65	−0.1
Tooth	7.30	−0.2
Vamgas	3.05	.....
Western Mining	9.86	−0.04
Westpac	4.90	.....
Woodside Petrol	2.10	−0.05
Woolworths	3.60	.....
Wormald Intl	3.65	.....

HONG KONG

April 22	Price H.K.$	+ or −
Bank East Asia	20.30	−0.1
Cathy Pacific	5.70	−0.05
Cheung Kong	43.50	+0.5
China Light	21.60	−0.2
Evergo	0.73	+0.03
Hang Seng Bank	36.25	.....
Henderson Land	5.80	+0.15
Hong Kong China	16.40	.....
HK Electric	13.40	.....
HK Land	5.95	.....
HK Shanghai Bank	8.05	[illegible]
[illegible]	[illegible]	[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices April 22

[illegible]

MONTREAL

Closing prices April 22

[illegible]

F—No voting rights or restricted voting rights.

NEW YORK—DOW JONES

[illegible]

Indices

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TOKYO — Most Active Stocks
Wednesday, April 22, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	488.70m	398	− 1	Toshiba Corp.	80.86m	758	+35
Nippon Kokan	298.83m	385	+ 8	Mitsui Toatsu Chem	66.16m	781	+28
Mitsubishi Heavy Ind	171.13m	680	+18	Tokyo Gas	61.88m	1,570	unch
Ishikawajima-Harima	183.84m	730	+18	Kawasaki Steel	34.23m	285	+ 1
Kawasaki Heavy Ind.	101.80m	387	+17	Nippon Yusen	23.81m	694	− 1

LONDON — Most Active Stocks
Wednesday, April 22, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	46.4m	85½	− ½	Plessey	4.5m	234	− 3
Hanson Tr.	16.0m	156	+ 3½	Hillsdown Hldgs	4.1m	280	+ 1
Brit Airways	11.0m	148	unch	Lloyds Bank	4.1m	505	+12
Brit Telecom	6.9m	253	+ 9½	P & O	4.0m	582½	+ 2½
Cable & Wire	4.8m	356	unch	Cadbury Schweppes	3.9m	244	+ 7

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:					
APV Baker	640	+21	Royal Ins.	888	+15
Amer Intl.	560	+21	Smurfit (J.)	438	+13
Attwoods	289	+13	Sun Life	£11¾	+ ⅜
BOC Intl.	560	+13	Thorn EMI	655	+12
Babcock Intl.	201½	+11½	Ut Biscs	273	+10
Beats Clark	313	+30	Wigfalls	206	+25
Brit. Tel	253	+ 9½			
Cowie (T.)	460	+20	FALLS:		
Jaguar	588	+14	Boa Massimi	343	−12
Juliana's	73	+ 6	De Beers Defd.	783	−40
Lloyds Bk	505	+12	Ilis & Goldstein	82½	− 7
Midland Bk	638	+20	FKB	280	−10
Morgan Cruc	343	+13	Ferguson (J.)	94	− 7
Nat West Bk	598	+13	Impala Plat.	994	−43½
Parrish (J. T.)	470	+15	I C Gas	718	−21
RTZ	933	+14	Exch 12 pc 13-17	129¹⁵⁄₁₆	+1⁵⁄₁₆

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.7	30	432	28⅞	28⅛	28⅛	−⅝
37	21⅞	ADT	.92	2.9	18	184	32⅝	32	32	−½
41½	23⅝	AFG	.12a	.3	11	828	37	36⅝	36¾	+⅛
40¼	18¾	AGS			22	690	38	36	38	+2¼
13⅞	6¾	AMCA				20	8½	8½	8½	
9⅝	4⅞	AM Intl				1615	7½	7¼	7¼	−¼
62⅛	47¼	AMR			11	4350	55⅝	54	54⅛	−1⅝
12⅞	8	ARX s			13	92	10⅝	10⅛	10½	+¼
73½	28¾	ASA	2a	2.9		1899	68¾	65⅝	68½	+1⅞
20	9¾	AVX		1.7	92	91	18⅝	18⅝	18⅝	−½
32¾	28½	AZP	2.72	8.7	10	1443	31¾	30⅞	31⅛	−⅞
67	41	AbtLb s	1	1.6	25	4345	62⅝	61⅝	61⅝	−1¼
34¾	25	AccoWd.62		2.0	20	68	31⅞	31¼	31¼	−¾
15⅛	9	AcmeC .40		2.8	27	429	14¾	14¼	14½	
8½	6⅛	AcmeE.32b		4.1	27	27	7¾	7¾	7¾	
23⅞	19	AdaEx 3.42e		16.		87	21¾	21½	21½	−⅛
19½	11⅝	AdmM s .24		1.4	13	22	17¾	17⅝	17⅝	−⅜
21½	12⅛	AdvSys.621		3.2	15	157	19⅛	19	19⅛	+⅛
31½	12⅞	AMD				2970	21	20¼	20½	−¼
52⅝	49⅝	AMD pf	3	6.0		521	50¼	50	50	−¼
10¾	5¼	Adobe				229	9⅞	9¾	9¾	−¼
20½	13¾	Adob pf 1.84		9.7		11	19	18¾	19	−¼

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued from Page 38

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Weaker dollar, profit-taking force retreat

WALL STREET

A SWIFT RETREAT was staged by wall street yesterday in reaction to fresh falls in the bond market, a weaker dollar and higher precious metals prices, *writes Paul Hannon in New York.*

The erosion of the dollar in the currency markets offset the flow of good corporate news while uncertainty over possible discount rate moves by the federal reserve unsettled sentiment. The latest durable goods orders data added to the unease. Trading which at first was orderly and well paced later became volatile and choppy.

The Dow Jones industrial average plunged 51.13 points to 2,285.94, its fifth largest points drop on record. Most of the decline took place in the last hour of trading which was largely influenced by futures-related sell programmes. The average had risen nearly 66 points on Tuesday. Volume, although lighter than the previous session, was still heavy at 187m shares.

Among blue chips, IBM suffered a *sharp bout of profit-taking after* Tuesday's dramatic $7 jump. The computer group dropped $2¾ to $154¼. Digital Equipment, which soared $8¾ in the previous session, firmed at first but closed $3¾ cheaper at $164¾.

Sears, which posted a 47 per cent surge in profits on Tuesday, reversed early gains to finish a net $⅛ lower at $53¼.

The oil sector remained mixed as Pennzoil slipped $½ to $75½ and Texaco, which filed for Chapter 11 bankruptcy protection last week, finished $⅝ down at $30¼ after early gains. Mobil failed to hold its early advance and closed $½ off at $47¾ on its sharp fall in first-quarter profits from $1.08 to 62 cents.

Amoco, in pursuit of Dome Petroleum, firmed $⅝ to $83½ as Dome turned $⅛ lower to $1⅞. TransCanada Pipelines, which may make a higher bid for Dome, held steady at first but then dipped $⅛ to $14½.

The latest corporate reporting season saw further strong results: Union Pacific, the rail group, turned in first-quarter earnings of $1.07 per share against 88 cents but fell $1¾ to $70.

Pitney Bowes, the office equipment manufacturer, posted a 52 cents per share first-quarter profit compared with 45 cents and finished the day $1½ lower at $39.

Baxter Travenol, the medical supplies group, announced strong quarterly earnings of 23 cents per share against 9 cents but traded $¾ lower to $24¼.

Fairchild Industries, the aerospace and engineering specialist, revealed a first-quarter loss of $1.33m compared with a $3.54m profit in the corresponding period and closed $⅜ lower to $12½.

Chicago Pacific, a household appliance maker, managed to hold an early $½ advance to $47¾ on its rise in operating profit to 79 cents from 65 cents per share.

Telerate, the financial information network, jumped $2⅛ to $37⅞ on its earnings advance to 33 cents from 21 cents per share.

A $5m first-quarter loss for Inco, the nickel and copper producer, took its share price $⅛ lower to $16⅞ in light trading. The group also announced plans for a gold mine and mill production in Quebec.

US Tobacco, the snuff to wines group, closed down $⅛ to $27⅛ in light early trading on its first-quarter rise in earnings to 49 cents per share from 41 cents.

A plunge in first-quarter earnings for Bell & Howell took the information systems group $2⅛ down to $48 in moderate trading.

Apple Computer lost $⅛ to $74⅛ after early gains in reaction to its two-for-one stock split.

USAir annouced a dramatic turnround in its quarterly performance with a $23.5m profit against a $6.8m loss and finished $⅛ up at $42⅛. Piedmont Aviation displayed a similar recovery for the quarter (profits of $5.6m against losses of $6.9m) but held steady at $66⅞ for most of the day.

The bond market's bout of nerves stemmed from the weaker dollar which posted broad losses in active New York trading. Most of the previous session's late rally was erased with the key government bond, the 7½ per cent due in 2016, down 1⅛ points at 89²⁹⁄₃₂ to yield 8.45 per cent. Fed funds opened at 6½ per cent and slipped to 6⅜ per cent at which level the Federal Reserve announced a one-day system repurchase. The funds rate rose to 6¾ per cent in late trading.

Short-term rates continued to lose ground with three-month Treasury bill rates down 7 basis points to 5.55 per cent while six-month bills were quoted 2 basis points higher at a yield of 6.12 per cent. One-year bills were mainly steady with a rise of 14 basis points to 6.61 per cent.

CANADA

WEAKER GOLD and other mining shares led Toronto prices slightly lower, although industrials and oils held their ground.

Husky oil was most active, remaining at C$11⅞. Shareholders held a ballot on whether or not to accept a Hong Kong-based bid for 43 per cent of the group.

Elsewhere in oils, take-over target *Dome Petroleum slipped 7 cents* to C$1.55 in busy trade.

Mining share Inco lost C$⅛ to C$22¼ following Tuesday night's announcement of a first quarter loss. Falconbridge, which said it had reduced its first quarter loss against a year ago, fell C$½ to C$20⅞.

In gold shares, Hemlo Gold lost C$⅞ to C$27⅞, Dome Mines lost C$¼ to C$21⅛, while Placer Development stayed at C$48½.

Montreal was slightly firmer overall. Banks rose, industrials fell and utilities were unchanged.

William Dawkins on a sugar group's move to join the Brussels bourse's top names

Belgium awaits biggest flotation for 20 years

RAFFINERIE TIRLEMONTOISE, the Belgian family-owned sugar refiner, is planning the biggest flotation on the Brussels bourse for more than 20 years.

The group, Belgium's largest supplier of sugar products, plans to raise BFr 4bn ($107m) by issuing 3m news shares, just under 25 per cent of the enlarged capital.

This will help it to fund plant modernisation and to continue its strategy of diversifying away from its core business into biotechnology and agro-industries.

The minimum price for the tender offer will be announced next week but the group is expected to achieve an initial market capitalisation of around BFr 16bn, making it the largest to go public since the flotation of the chemicals company Solvay. The flotation also puts it among the 20 biggest companies on the Belgian bourse.

The group employs 1,500 people and has an annual turnover of BFr 23bn. Half of its 600,000 tonnes production is exported outside the European Community. Within Belgium, the group has an 86 per cent share of consumer sugar sales and 68 per cent of the market for industrial sugars.

Net income before extraordinary items more than doubled from BFr 637m in 1984 to BFr 1.3bn last year and is expected to rise further to BFr 1.6bn in the current 12 months.

The earnings improvement came mainly cost reductions due to internal savings and the early retirement of 800 workers rather than through any expansion of the EEC sugar market, which is estimated to be growing at a mere 1.6 per cent a year.

The company is expecting future earnings growth to come chiefly from acquisitions in related areas and from further production savings. It has spent BFr 350m since 1980 in acquiring small biotechnology companies and plans to spend another BFr 150m on the sector in the near future.

Other recent takeovers include Neuhaus, the Belgian maker of praline chocolates, and its sister company Mondose.

Raffinerie Tirlemontoise has also invested BFr 7.2bn on plant modernisation over the past five years and plans to spend another BFr 4bn on this over the next five years.

EUROPE

IG Metall accord lifts Frankfurt sharply

THE FIRMER dollar, Wall Street's resilience and the surprise resolution of the West German metalworkers' pay and hours dispute all helped resuscitate European bourses as trade picked up after the Easter holiday. Swedish share prices reached a record peak.

Frankfurt rebounded sharply on the news that engineering employers and unions had agreed a wage and hours package. The Commerzbank index rose 24 to 1,837 in moderate trade.

The car sector took particular cheer from the engineering news. Daimler rose DM 34 to DM 1,030, *BMW added DM 32 to DM 573 and* VW put on DM 11,50 to DM 354.

Engineering stocks Mannesmann and Linde also benefited, by DM 6 and DM 14 to DM 187.80 and DM 693 respectively. Steelmaker Thyssen added DM 7 to DM 121.50.

Banks gained sharply. Deutsche Bank picked up DM 14 to DM 658, Dresdner DM 8.50 to DM 353.50 and Commerzbank DM 7.50 to DM 273.50.

In blue chips, electronic share Siemens rose DM 9.30 to DM 722.30 and computer stock Nixdorf added DM 17 to DM 827.

BASF posted the biggest rise in a slightly firmer chemical sector, up DM 3.50 to DM 278, and said it would invest in expansion of capacity at its Belgian Antwerp unit.

Bond prices were mostly higher and the *Bundesbank sold* DM 104.1m of paper after buying DM 68.7m on Tuesday.

Stockholm reached a record high close with the market finding support from falling credit market yields. The Veckans Affarer all-share index rose 8.4 to 997.6.

Among the leading advances, Boliden rose SKr 15 to SKr 335, Saab-Scania was up SKr 10 at SKr 770 and Volvo SKr 6 at SKr 323.

Industrial gas company Aga was level at SKr 201 as it announced a FFr 466m bid for French gas group Duffour et Igon.

Amsterdam closed up but off the day's highs in most sectors as the dollar's rise improved prospects for exporters. The CBS tendency index edged 0.9 higher to 95.2.

International shares led the advance. Royal Dutch, the market leader, picked up Fl 8.30 to Fl 249.10, while Unilever added Fl 8 to Fl 591.00.

Steel group Hoogevens said poor winter results would hit first half profits. Its share added 60 cents to Fl 35.50.

Shipper NedLloyd gave up Fl 1.50 to Fl 166.00 prior to today's announcement of results, which analysts expect to be disappointing.

Zurich rose in response to the dollar's recovery and the resolution of the metalworkers' dispute in Germany.

Tuesday's news of Sulzer's dividend increase bolstered engineering shares. Sulzer bearer added SFr 50 to SFr 3,200, while Brown Boveri was also SFr 50 stronger at SFr 1,900.

Sandoz bearer shares slipped SFr 50 to SFr 11,350 as the chemical group announced a 9 per cent rise in first quarter turnover.

Brussels continued to rise in busy trade amid strong overseas buying. The market took support from Tuesday's small cut in short-term interest rates. The Brussels SE index was 34.61 up at 4,571.93.

Chemicals were again among the strongest sectors. Solvay rose a further BFr 200 to BFr 10,300 and UBC was *BFr 70 better at BFr 9,380.*

Paris closed slightly higher on the back of the stronger dollar. Food and electronics sectors performed best. BSN rose FFr 60 to FFr 5,240, Begin Say added FFr 32 to FFr 598 and Moët-Hennessy was *FFr 35 better at FFr 2,425.*

Bouygues, the construction group, moved FFr 10 higher to FFr 1,455 amid news of an 8.6 per cent rise in profits for 1986.

Banks closed mixed, with oils and chemicals slightly higher.

Milan fell in active trade *amid* some profit-taking following recent blue chip gains.

Fiat retreated by L180 from recent gains to close at L13,670.

Madrid showed rises across the board in busy trade. Steels, constructions and chemicals all featured among the best advances.

Banks also firmed, with the Banco de Bilbao 25 points higher at 1,535 per cent of nominal market value, Central 11 points higher at 1,094 per cent and Popular up 77 *points at 1,725 per cent.*

Oslo continued to rise bullishly in most sectors as turnover jumped to NKr 65.2m from Tuesday's 29.7.

Blue chips forged ahead, with Norsk Hydro NKr 4 higher at NKr 182.50 and Saga Petroleums NKr 3 better at NKr 82.50 in a strong sector.

LONDON

A SHARPLY higher start to the session was sustained by gilts in response to overnight advances on Wall Street and in Tokyo, but equity prices fell from early highs.

The FT-SE 100 index was 15.5 up at 1,955.7, while the FT Ordinary index closed 14.9 higher at 1,546.8.

Banks firmed as interest rate uncertainties declined with the firmer dollar. Oils recovered amid optimism over crude prices.

Details, Page 36.

SOUTH AFRICA

THE FALL in the bullion price from its recent peak pulled Johannesburg gold stocks down, but industrials maintained recent *momentum* to reach another record.

Among golds, leading heavyweight Vaal Reefs shed R6 to R431, Southvaal lost R5 to R230.00 and Buffelsfontein was R1.25 off at R71.00.

Mining financials followed the decline, Gencor by R3 to R59.50 and Anglo American by R1.25 to R74.75. Other minings were narrowly mixed. Diamond stock De Beers was 25 cents stronger at R41.75, but platinum share Impala lost R1 to R51.50.

Industrials fared well, pushing the sector marker to a peak of 1,804 from Tuesday's high of 1,798. Barlow Rand advanced 50 cents to R34.50.

UK unit trust sales rise to record

By Eric Short in London

UK SALES of unit trusts passed the £1bn ($1.63bn) mark *in* March for the third successive month, reaching a record £1.21bn – over £100m more than the previous record in January when the £1bn mark was passed for the first time.

This brought total sales in the first quarter of this year to £3.36bn, almost double the sales of the first quarter of 1986, which was itself a record-breaking year for unit trust investment. Indeed, this year's first quarter sales have already exceeded the sales of £2.9bn for the whole of 1984.

Unit trusts offer investors the opportunity to participate in equity investment at home and overseas and in UK gilt and fixed-interest investment on a combined or pooled basis by buying and selling in a common, open ended fund. They are the UK equivalent of mutual funds in the US.

The sales boom this year, following the buoyant sales figures of last year and the year before, show that the small and medium investor is willing and has the resources to invest *in the equity market.*

The main attraction has been overseas funds, with the US, Japan and the Far East, and Europe being the main attractions.

The management groups also report a steady net new investment into UK funds, and recent launches based on UK equities have been well received.

The total value of funds under management continues to climb steadily, rising by £1.5bn in March to £38.8bn at the end of the month. Over the past 12 months the value of funds has increased by more than 50 per cent.

The number of unitholder accounts rose by a record 126,000 last month to 3.72m – over 1m more than 12 months ago.

Repurchases of units also remained at a *high level* in March, amounting to £575m. The Unit Trust Association points out that a high level of switching can be expected in the last trading month of the tax year.

This left net new investment in unit trusts in March at $635m, the third highest monthly level.

ASIA

Nikkei hits peak above 24,000

TOKYO

INSTITUTIONS stepped up their purchases of large-capital stocks in Tokyo yesterday, pushing the Nikkei average to a close above 24,000 for the first time on the fourth largest trading volume ever, *writes Shigeo Nishiwaki of Jiji Press.*

Issues related to superconducting materials and biotechnologies gained, but financial stocks and blue chips eased.

The market barometer jumped 211.69 to a record 24,097.79. Turnover soared from Tuesday's 1.42bn shares to 2.27bn. But losses led gains by 457 to 436, with 122 issues unchanged.

Trading rose in large-capital steels and shipbuildings, which had regained popularity on Tuesday, thanks to active buying by institutional investors, businesses and non-residents.

The 10 most active stocks, mostly large-capital issues, accounted for 61.8 per cent of the day's total turnover.

Despite a slowdown in trading in the afternoon, Nippon Steel was again placed first on the active list with 400.70m shares. The price rose Y7 at one stage but finished Y1 lower at Y390. Nippon Kokan, the second busiest issue with 298.02m shares, added Y8 to Y365 and Mitsubishi Heavy Industries rose Y10 to Y660 on the third heaviest trading. Ishikawajima-Harima Heavy Industries firmed by Y18 to Y730.

Property and construction stocks were sought in the wake of a newspaper article detailing a report by the Economic Council's special committee on restructuring Japan to become an economy led by *domestic* demand.

Mitsubishi Estate rose Y60 to Y3,490 and Sumitomo Realty and Development Y40 to Y2,100. Toa Harbor Works was Y10 up at Y1,350 and Ohbayashi Corp. Y20 up at Y1,380.

As buying of large-capital stocks slowed in the afternoon, issues related to superconducting materials, such as heavy electricals, non-ferrous metals and electrical cables, began drawing investor attention. Toshiba rose Y35 to Y750 and Mitsubishi Electric Y20 to Y555, while Mitsubishi Metal climbed Y36 to Y791, *Furukawa Electric* Y20 to Y850 and Showa Denko Y53 to Y674.

Among biotechnologies, Kirin Brewery shot up Y190 to Y2,930. Takeda Chemical also soared Y180 to 3,600 and Yamanouchi Pharmaceutical Y100 to Y4,000, while Ajinomoto finished at Y3,680, up Y80.

Nomura Securities advanced Y50 to Y5,900, but other financial stocks lost ground under small-lot selling. Japan's four main securities houses announced record pre-tax profits for the six months to March.

Long-Term Credit Bank plunged Y1,400 to Y26,100 and Fuji Bank dipped Y10 to Y4,000.

Despite the yen's easing, investors neglected blue chips. Fuji Photo Film fell Y130 to Y2,750 and NEC Y40 to Y1,530.

Bond trading was slow, reflecting growing circumspection among investors. The yield on the 5.1 per cent government bond due in June 1996 declined slightly from 3.635 per cent to 3.605 per cent after Tuesday's jump, but turnover was small.

Buying of the 4.7 per cent government bond, issued only this month and falling due in June 1997, surpassed purchases of the benchmark issue. Its yield dropped sharply from 3.900 per cent to 3.715 per cent at one stage, but later rose to 3.750 per cent.

Securities firms' profits, Page 22

SINGAPORE

THE BULLISH pace picked up further in Singapore as local and foreign buying took the Straits Times industrial index to a second record running in fairly heavy trading, up 7.02 at 1,131.65.

The enthusiasm shown for Avimo Singapore's public offer of 18.75m shares, which was 104 times subscribed, also gave a lift to the market, *while concern about Friday's* Malaysian party elections appeared to have evaporated.

Blue chips led gains, with National Iron up 30 cents at S$5.70 and Singapore Land adding 15 cents to S$6.70. Singapore Airlines, however, eased 10 cents to S$12.50 on profit-taking.

Metro gained 10 cents to S$7.95; it announced plans to open two more stores in Singapore.

Top active was Tan Chong, up 1 cent to 71½ cents on 2.3m shares traded.

AUSTRALIA

PROFIT-TAKING and an easier overnight bullion price in New York helped to take Sydney shares down across the board in light trading. The All Ordinaries index lost 8.4 to 1,754.8 while the gold index was sharply lower after its recent surge, down 38.3 at 3,284.8.

Among golds, Kidston and Whim Creek were each off 50 cents at A$8.80 and A$13.20 respectively, while Poseidon fell 20 cents to A$13.60. Against the trend, GMK rose 70 cents at A$9.70.

In the industrial sector, falls included Burns Philp and Bell Group, each losing 40 cents to A$11.10 and A$10.50 respectively, and News Corp. 50 cents lower at A$21.60.

Adsteam, however, recouped its 80-cent loss of Tuesday, rising to A$11.30, after reassurance from the managing director about the company's performance.

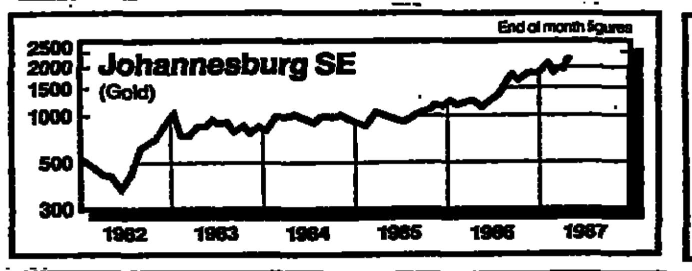
HONG KONG

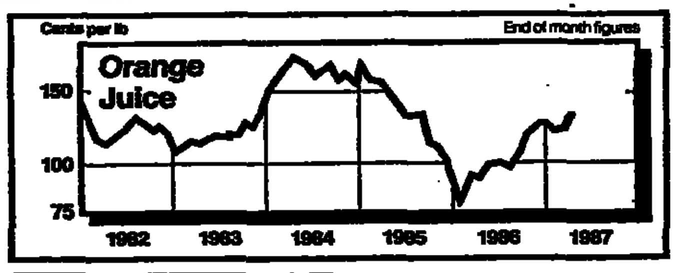
A LATE resurgence of bargain-hunting took share prices in Hong Kong slightly higher after an easier opening, but trading remained *quiet and unenthusiastic,* with few new pointers for investors.

The Hang Seng index edged up 3.53 to 2,716.89 and the Hong Kong index gained 3.45 to 1,749.40.

Among leading blue chips, Cheung Kong added 50 cents to HK$43.50 and Hongkong Bank was steady at HK$8.05.

KEY MARKET MONITORS





STOCK MARKET INDICES

	April 22	Previous	Year ago
NEW YORK			
DJ Industrials	2,285.94	2,337.07	1,830.98
DJ Transport	928.5	927.46	815.63
DJ Utilities	202.84	204.05	190.04
S&P Comp.	287.19	286.09	242.42
LONDON FT			
Ord	1,546.8	1,531.9	1,394.5
SE 100	1,955.7	1,940.2	1,665.2
A All-share	981.42	974.69	803.84
A 500	1,086.77	1,080.99	879.54
Gold mines	438.3	435.5	270.0
A Long gilt	9.07	9.19	7.23
World Act. Ind	131.01	129.12	127.87
TOKYO			
Nikkei	24,097.79	23,886.10	15,712.9
Tokyo SE	2,169.31	2,171.08	1,252.28
AUSTRALIA			
All Ord.	1,754.8	1,763.3	1,208.3
Metals & Mins.	1,139.2	1,145.6	530.7
AUSTRIA			
Credit Aktien	200.03	199.84	129.98
BELGIAN SE	4,571.93	4,537.82	3,857.21
CANADA			
Toronto			
Met.& Mins.	2,752.4	2,813.0	2,176.0
Composite	3,788.5	3,810.4	3,098.1
Montreal			
Portfolio	1,884.69	1,898.91	1,596.51
DENMARK SE	196.98	196.98	248.64
FRANCE			
CAC Gen	(u)	461.90	385.1
Ind. Tendance	113.90	113.40	92.7
WEST GERMANY			
FAZ-Aktien	607.34	599.28	2,248.3
Commerzbank	1,837.50	1,813.50	2,260.7
HONG KONG Hang Seng	2,716.89	2,713.36	1,792.90
ITALY Banca Comm.	756.66	759.29	760.58
NETHERLANDS ANP CBS			
Gen	287.90	284.40	272.4
Ind	267.40	265.30	258.7
NORWAY Oslo SE	423.33	419.96	359.34
SINGAPORE Straits Times	1,132.50	1,124.61	582.97
SOUTH AFRICA JSE			
Golds	—	2,208.0	1,131.3
Industrials	—	1,797.0	1,085.8
SPAIN Madrid SE	237.95	239.10	173.44
SWEDEN J & P	2,691.80	2,681.90	2,372.95
SWITZERLAND Swiss Bank Ind	593.90	589.40	603.5

COMMODITIES (London)

	April 22	Prev
Silver (spot)	481.35p	478.70p
Copper (cash)	£897.50	£915.00
Coffee (July)	£1,335.00	£1,326.00
Oil (Brent)	$18.025	$18.075

GOLD ($/oz)

	April 22	Prev
London	$444.25	$447.875
Zürich	$446.00	$451.75
Paris (fixing)	$445.31	$449.35
Luxembourg	$448.25	$455.75
New York (June)	$452.60	$451.00

CURRENCIES (London)

	US DOLLAR April 22	US DOLLAR Previous	STERLING April 22	STERLING Previous
$	–	–	1.6275	1.627
DM	1.8240	1.8165	2.9675	2.9525
Yen	142.35	142.35	231.75	233.25
FFr	6.0675	6.0425	9.875	9.8225
SFr	1.4970	1.4930	2.4375	2.435
Fl	2.0595	2.0465	3.3525	3.3325
Lira	1,300.50	1,295	2,116.5	2,104.5
BFr	37.75	37.45	61.45	61.40
C$	1.3305	1.3285	2.1665	2.1485

INTEREST RATES

	April 22	Prev
Euro-currencies (3-month offered rate)		
£	9¹³⁄₁₆	9⁹⁄₁₆
SFr	3⅝	3¹³⁄₁₆
DM	3¹³⁄₁₆	3¹³⁄₁₆
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6¹⁵⁄₁₆	7
6-month US$	7⅛	7⅛
US Fed Funds	6¾*	6⅝
US 3-month CDs	6.50*	6.925
US 3-month T-bills	5.425*	5.57

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
April 22				
June	92-08	93-04	92-03	92-19
US Treasury Bills (IMM) $1m points of 100%				
June	94.05	94.14	93.97	94.06
Certificates of Deposit (IMM) $1m points of 100%				
June	–	–	–	93.35
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.85	92.88	92.79	92.67
20-year National Gilt £50,000 32nds of 100%				
June	124-03	124-04	123-06	122-26

US BONDS

Treasury

	April 22 Price	April 22 Yield	Prev Price	Prev Yield
6⅜ 1989	98²⁹⁄₃₂	7.109	98²⁹⁄₃₂	7.108
7 1994	94¹⁹⁄₃₂	8.042	94¹⁷⁄₃₂	8.067
7¼ 1996	93¹³⁄₃₂	8.243	93¹¹⁄₃₂	8.256
7¼ 2016	88²⁹⁄₃₂	8.434	89²⁹⁄₃₂	8.444

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.83	+0.12	6.86	−0.03
1–3	144.03	+0.07	6.37	−0.03
3–5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	April 22 Price	April 22 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.39	6.20	93.11	6.30
SCBT South Central 10⅞ Jan 1993	103.0	10.18	103.0	10.18
Phibro Sal 8 April 1996	93.65	9.05	94.23	8.95
TRW 8⅞ March 1996	98.0	9.08	97.88	9.10
Arco 9⅞ March 2016	102.75	9.59	101.75	9.69
General Motors 8⅝ April 2016	85.50	9.82	85.0	9.88
Citicorp 9⅞ March 2016	93.125	10.11	93.21	10.10

Source: Salomon Brothers

* Latest available figures

Asian investors march on US

FOREIGN INVESTMENT in the US stock markets last year surged to a record $18.6bn with much of the increase stemming from the Japanese and coinciding with a weaker dollar, according to the latest report from the Securities Industry Association in New York.

The single most important foreign presence in the US market remains British, however, with purchases exceeding a record $4.7bn last year compared with only $1.7bn in 1985.

Asian net purchases of US equities demonstrated the most dramatic rise, with over $4.8bn worth of shares bought compared with only $534m during the previous year. Within this group, the investment with purchases of $281m in 1985 taking a quantum leap to over *$3.3bn last year.*

Of the $7bn worth of overseas stock purchases made by Japanese investors last year, just under 50 per cent was made in the US.

A major factor motivating the Japanese investment community *was the declining yield spread* between US and Japanese government bonds. This spread was about 400 basis points by the end of the year. The relatively higher potential return of the US equity market attracted a large portion of this *floating capital.*

After Britain and Japan, the next most important national constituent in the US market last year was Switzerland, which made net purchases of $1.52bn of equities. The last six months, however, saw Swiss investors as net sellers when their domestic market staged a late second-half recovery.

A growing taste for both domestic and foreign share purchases in France lay at the core of a rebound in French interest in the US market last year. French investors staged a complete turnround with purchases of $462m compared with net disposals of $438m in 1985.

The dynamic performance of the Paris bourse and the growing success of the Government's privatisation programme, which has doubled *the number of small investors in a* matter of months, were identified as the prime reasons for the surge in interest.

The strength of the D-Mark during 1986 is cited as the reason for a noticeable cooling off in West *German interest in the US markets.*

German investors made a significant impact in the stock markets only during the first quarter of 1986 when total purchases amounted to $598m. For the rest of the year, the German investment community *turned net sellers with disposals* reaching $25m, $66m, and $86m respectively during the three remaining quarters.

Total net German acquisitions amounted to $339m, virtually half of the previous year's level.

The pattern of foreign activity in the US treasury note and bond market also changed dramatically with net overseas purchases down 17 per cent in the year ($24.3bn compared with $29.2bn).

Institutions and private investors were pushed to the *sidelines* as central banks dominated trading. The potential higher yield available on equities also acted as a magnet to non-government demand.

Oil exporting countries, large buyers of US treasuries in recent years, emerged as net sellers when *lower oil prices* eroded capital surpluses.

Japanese support for the US bond market also changed with net purchases plunging to $3.8bn from the $17.9bn scored in 1985.

Europe, on the other hand, took up the *challenging* task of large-scale buying with purchases hitting $17.3bn against $4.3bn in 1985. Germany accounted for $7.8bn of treasuries, both stemming from aggressive central bank intervention in an effort to stabilise the D-Mark and sterling respectively.

The Netherlands also made a large contribution with purchases of $1.3bn during the year.

Although foreign investors found considerable appeal in the US stock and bond markets, the attraction of overseas markets to US investors dwindled. US purchases of foreign equities slumped to only $1.5bn during 1986 compared with $3.9bn in the previous year.

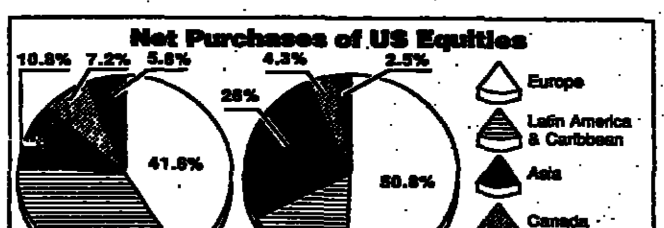
Within that total, however, significant shifts in investment strategy emerged. Whereas total US purchases of European stocks dropped 18 per cent to $1.6bn, the net acquisition of British shares soared 67 per cent to $1.3bn against $764m and over four-fifths of that net figure was made during the first half of the year, coinciding with the sharp gains on the London stock exchange. The combination during the second half of higher interest rates, pressure on sterling and a deteriorating UK trade balance proved too much of a distraction for US investors.

Elsewhere in Europe, American buying jumped 30 per cent in Germany to $452m and 10 per cent in Switzerland to $302m. Americans emerged as net sellers, however, in the Netherlands with total disposals set at $454m, apparently on concern over the plunge in oil and natural gas prices and renewed strain on the guilder/dollar exchange rate.

The roller coaster ride in Tokyo also proved too much for American appetites. Net purchases in the first quarter amounted to $1bn, *but* by the end of the year US investors had become net sellers of the skyrocketing Tokyo market to the tune of $1.6bn (compared with net purchases of only $96m in 1985).

The US withdrawal from the Jap*anese market* was only part of a broader retreat by foreign investors from Tokyo as total overseas sales of local equities surged to $19bn on profit-taking, fears about future corporate profitability and concern over the yen/dollar rate.

US investors decided after all the globe-trotting in search of prime investment opportunities that their own backyard retained some appeal as purchases of Canadian stocks held steady at about $1.1bn.



Paul Hannon

SECTION III

Thursday April 23 1987

FINANCIAL TIMES SURVEY

Italy is again under a cloud of political uncertainty which the coming general election may not do much to dispel. While the country needs further political stability to accomplish badly needed reforms, its economic vitality looks set to continue regardless, as **John Wyles** reports.

Unable to achieve a meeting of minds over the terms for a new five-party coalition, Mr Craxi and Mr Ciriaco De Mita, the Christian Democrat Party secretary, struggled even to close a handshake during the latter's visit to the Socialist Party Congress this month

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Parties back at war

AFTER 43 months as a remarkably effective lid on the cauldron of party conflict, the Italian goverment led by Bettino Craxi has been finally blown away and politics are back on centre-stage in Italy.

Few Italians would be happy to be called to the polls a year earlier than necessary in June, but they are accustoming themselves to the fact that legislatures which used to last fully five years until 1968, have since tended to fall apart after four.

The business world would be unequivocally relieved about elections: since the political crisis first began in early March, Mr Luigi Lucchini, the president of Confindustria, has been painting a lurid picture of the dangers of a 12-month election campaign with a weak government handing out taxpayers money left, right and centre.

Many questions are awaiting an answer in June. What will the verdict be on the angry and abrasive rupture between the Christian Democrats and the Socialists which made impossible the survival for another year of the five-party coalition formula judged to have performed so effectively since 1983?

Can Mr Craxi exploit his record and popularity as prime minister to lever up the Socialist vote from the last election's modest 11.4%?

Will the Christian Democrats succeed in halting the gentle haemorrhage of support which has seen their share of the vote slide in every general election since 1968? Will the Communist vote hold up?

Since the end of the war, no single Italian election has ever represented a break with the past comparable with the shifts in loyalties in the UK and the modest movements in France and West Germany. Change has been more glacial and it has still stopped short of delivering a genuine alternative to governments which have remained dominated by the Christian Democrats even since they ceded the premiership to other parties in 1981.

Thus, the experience of the past suggests that elections may resolve nothing and that unless the Christian Democrats and the Socialists can repair a relationship which has been badly damaged in the past year, the country could well revert to the cycle of weak and frequently changing governments which was the post-war norm until 1983. Unless, that is, the politicians can really respond to a clear popular demand for the kind of stability and continuity *which made the Craxi* government so manifestly welcome.

Since only the unwary attempt to predict *beyond the next 24* hours in Italian politics, it would be pointless here to speculate on what political alliances led by which politicians will *eventually* emerge *to* try and give substance to the popular will. But there is plenty of evidence—and not only from Mr Craxi's recent speeches listing *the weighty requirements* for economic, social, constitutional and administrative reforms—that many members of all the parties are now well aware *of the need to respond* more effectively to the needs of a modern and increasingly *pluralistic society.*

A desire for continuity and efficiency in government does not necessarily mean that there is a clear consensus in favour of *strong goverment in Italy. Not* long ago, Mr Gianni Agnelli, the president of Fiat, approvingly quoted the following lines from Helmut Schmidt, the former *West German Chancellor:*

"You have a weak administrative structure and weak political power. I used to think that this was your Achilles heel, *but now I am persuaded it is* your strength. Italian society is deregulated by definition, even *if on the surface you appear* loaded with rules and restrictions. Nobody observes them, even those who have imposed them. So Italians are left alone: the *State*, the government and public administration do little to help and guide them. This is the paradoxical advantage you have over other Europeans."

In an era when the prevailing ideology is non-ideological and when in many countries the best government is held to be the least government, this is a *persuasive explanation for the* dynamism and vitality which has brought faster growth and *stronger industrial development* to Italy than to most other European countries in the post-war period.

It finds an echo in a recent *interview given to an Italian* newspaper by Mr Carlo De Benedetti, the financier, entrepreneur and chairman of Olivetti who has done more than most in *the 1980s to demonstrate the* vigour of Italian capitalism.

Mr De Benedetti thought that the fact that most Italian "rules" can be evaded is an *important explanation for the country's economic growth*—particularly in comparison with France "which is much more structured" and whose growth has been lower.

But the Olivetti chief clearly doubts whether the disorganised Italian State will suffice in the future—"I think now that Italian society needs not only a *more modern structure but also* a more effective public administration which specifically aims its support at individual initiative," he said.

And not just for that reason, one might add, for there are many examples where the quality of Italian life is seriously affected by maladministration. *Slowly but surely, for example,* the country is developing its own environmental movement agitating against not just nuclear power stations but also *heavily polluted coastlines*, the illegal use of chemical fertilisers which poison water supplies, the noxious air of city centres in summer choked by an overabundance of motor cars.

Add to this a health service which is not so much starved of funds as of managerial expertise, a pensions system which keeps the retired waiting sometimes years for their entitlement and the excruciatingly frustrating delays involved in obtaining any kind of offical *document and you have* some very negative weights to put into the balance against "Il sorpasso."

Fewer and fewer Italians *need any explanation for this* word—it refers, of course, to the crowning achievement of the Craxi years, the Italian economy's overtaking of the British *in per capita gross domestic* product.

Until a few weeks ago, the assertion remained tendentious—and denied by the most *recent OECD figures which fix*ed Italian per capita GDP in 1986 at $9,900 and the UK's at $11,400. Since then, however, Istat, the Italian government's *statistical agency*, has revealed *the fruits of a reasonable* revaluation of the national GDP which includes some estimate of the underground economy. The conclusion is that Italian *per capita GDP* has nosed ahead by a few dollars more.

And despite its evident weaknesses—a public sector deficit around 12 per cent of the Istat-*revised GDP, excessive dependence* on imported energy, too few companies with sufficient "critical mass" in overseas markets and a distressing *regional* backwardness—the economy should continue to be fuelled by an evident entrepreneurial vitality and what Mr De Benedetti has called "a *desire for capitalism.*"

Even at its most collectivist, Italy has rarely lacked for an entreprenurial culture. This is badly in need of serious study which seeks to explain the importance not only of Chancellor Schmidt's de facto deregulation but also of *regional loyalties* and associations which produce both collaborative supports and competitive pressures.

Here is a general impression *of how this may work. One of the* cultural legacies of the Fascist attempt to organise every social and economic activity is the extraordinary extent to which *businesses are grouped in a* huge number of regional and national trade associations. These differentiate with some precision not only between one *kind of manufacturing and com*mercial activity and another, but also according to size of enterprise.

While some associations may *be moribund, many more serve* not only to transmit information about markets but also about management techniques, technological innovation and the *general economic context in* which entrepreneurs are operating. One of the first impressions to strike any observer of the business scene is the ex*traordinary amount of* time businessmen, and even very

Continued on next Page

The political scene: John Wyles looks at the rich choice before voters

Parties crowd the field

TO THE UNINITIATED, Italian politics are a maze of parties, complicated legislative procedures and an electoral system which gives parliamentary representation to the most marginal political forces.

Until 1983, the system seemed inherently unstable with post Second World War governments toppling on average every eight months. The arrival of Mr Bettino Craxi, Italy's first Socialist prime minister and only the *second non-Christian Democrat* to hold the job since the war brought a period of " stability." Since August 1983, there have been only two Craxi governments.

Governmental change, however, has been counterbalanced by the *strongest* continuity of political personnel in Western Europe. This is because governments were always led and dominated by Christian Democrats (DC) until June 1981. The political scientists have labelled the phenomenon " democrazia bloccata ": majorities have always been formed around the dominant DC in order to exclude from government the Communist Party (PCI), the largest Communist party in Western Europe and the second biggest party in Italy.

The closest the PCI came to power was between 1976 and 1978 when it sustained the DC alone in a government of " national unity."

The Christian Democratic Party (DC) is now led by Mr Ciriaco De Mita, a 59-year-old from Avellino, south-east of Naples. Its 1983 share of the vote was its lowest post-war tally. The party is unique in Western Europe, having had more than 40 continuous years in government and established such a strong presence throughout all political, economic and social institutions that it is often defined as a *regime* rather than a political party.

In the immediate post-war period the DC was the vehicle for integrating the Catholic masses into a democratic Italian state. In pre-fascist Italy, Church-state conflicts led to official Church prohibitions against political participation.

DC political mobilisation was also directed at curbing support for the Communist Party while at the same time securing the backing of key industrialists and financiers. Ideology, therefore, has had less importance in determining its hold on power than its use of public spending and the extension of public ownership to win support among the urban working class. Nonetheless, the DC is usually divided into a number of factions (corrente) running from a social-democratic-type left to a neo-liberal right.

Mr De Mita, who comes from the left of the party, has been trying to give it a modernising and reformist image since he took over as secretary in 1981. He has also tried to concentrate more authority in his own hands so as to weaken the disruptive power of its various corrente.

The next elections will be a crucial test of his strategy. The party's vote has been steadily declining since the 39.1 per cent of 1968 so a failure to make some recovery would put a question mark over its ability to remain as the central organising force of Italian politics.

The last four years have emphasised the DC's growing dependence on collaboration with the lay parties, particularly Mr Craxi's Socialists. The alternative of an alliance with the PCI brought electoral penalties rather than reward after the 1976-78 experiment and is currently excluded by the DC leadership.

Since Italian voting behaviour is extraordinarily stable, the DC is unlikely to record a major advance or a serious setback. Mr De Mita's priority will be to secure the premiership for the party since the DC's previous appearance of invincibility has been seriously fractured by the length of time in which Mr Craxi has managed to remain prime minister.

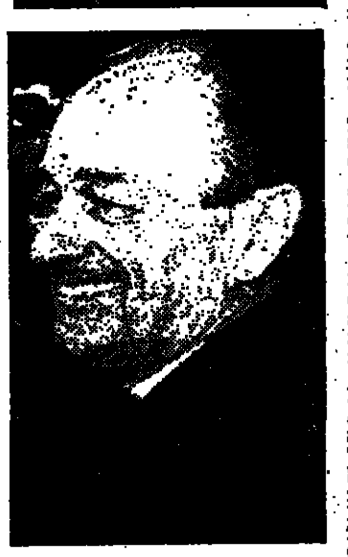
The DC's other problem is that it is increasingly competing for the same moderate, reformist votes as the Socialists and the smaller lay parties. The laicisation of Italy and the growing affluence of urban white collar professional classes means that in the North and even parts of the South—a huge DC stronghold—the Church's influence is less than it was. Nevertheless, one very senior Italian politician recently estimated privately that the Church was still delivering 25 per cent of the vote to the DC. As he mischievously pointed out, that means the party's " free " vote was 8 per cent.

The PCI is looking to improve on its 1983 vote under its current leader, Mr Alessandro Natta, 69, an uncharismatic figure who took over after the sudden death in 1984 of the widely-admired Enrico Berlinguer.

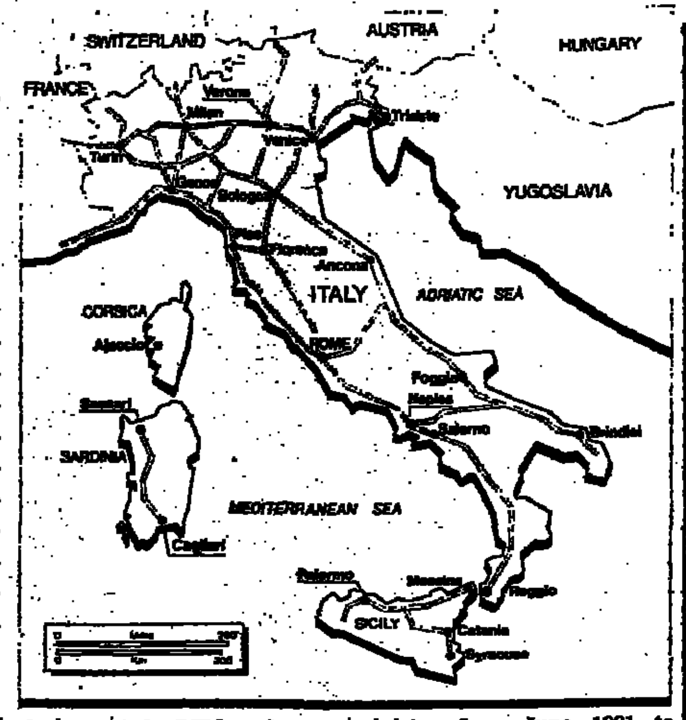
The party leaders

Above, from left to right: Bettino Craxi, Italy's first Socialist Prime Minister; Senator Giovanni Spadolini, Secretary of the Republican Party (PRI); Chiaco De Nita, 59-year-old Secretary of the Christian Democratic Party, the country's largest party.

Left: Renato Altissimo, leader of the Liberal Party (PLI); Right: Franco Nicolazzi, leader of the Social Democratic Party (PSDI), who is seeking closer ties with the Socialists.



Election results			
Party	% Vote	Seats. Senate	Seats. Camera
DC	32.9	120	225
PCI	29.9	107	198
PSI	11.4	38	73
MSI	6.8	18	42
PRI	5.1	10	29
PSDI	4.1	1	23
PLI	2.9	6	16
PR	2.2	1	11
Others	4.1	7	24



Although committed to the Italian road to socialism and a line which rejects the Soviet Union as any kind of political or economic model, the PCI remains a highly dubius force for many Italians.

Its strength derives from a superb grass roots organisation, support from the radical section of the urban working cass and perceptions that it is the only large party largely free of corruption. It is also a depository for anti-government votes.

Mr Natta's strategy is to work for an end to the five-party coalition which has governed since 1983 and which has greatly reduced the PCI's political influence.

He wants a realignment of the left which would bring the Socialists and the Radicals into an eventual governing alliance. These overtures have so far been rejected by Mr Craxi who might well dream of repeating Francois Mitterrand's achievement in seeing off the French Communist Party. But until his electoral strength is significantly greater he will be very cautious about collaborating with the PCI.

The Socialist Party (PSI). Under Mr Craxi's leadership, it has become the pivotal force, denying the DC the premiership and any government peace of mind except on Socialist terms.

After the Craxi years, the PSI clearly finds itself unable to stomach a return to DC leadership but equally unable to force an alternative. Mr Craxi would like to lead an alternative to both the DC and the PSI based on an alliance with the social democrats, republicans, liberals and radicals but has yet to persuade these parties to back his vision.

For the moment, therefore, the PSI remains committed to a policy of " collaboration-competition " with the DC and is hoping to cash in on Mr Craxi's record to boost its share of the vote.

Its propagation of reform of institutions and social policies is meant to appeal to the new generation of white-collar professional managers who are impatient with the inefficiencies of government and administration but anxious also to maintain the social consensus which has characterised Italy in the 1980s.

Mr Craxi could well make Socialist participation in any post-election government contingent on an agreement to introduce a directly-elected Head of State—a reform which the PSI believes would bring about a realignment among the parties.

Its popular appeal remains handicapped, however, by indifferent organisation and a reputation for corruption at local government level.

The Social Movement (Msi) is a neo-fascist party led by Mr Giorgio Almirante. Its support has remained fairly static and it harks back nostalgically to the values of the past.

The Republican Party (Pri). It's leader, Mr Giovanni Spadolini was the first non-Dc prime minister from June 1981, to August 1982. A centre party espousing " common sense " and good government, it is strongly anti-communist and deeply uncertain about the attractions of Mr Craxi's ideas for a reformist centre-left grouping.

The Social Democratic Party (Psdi) was formed after breakaway from the then Marxist Psi in 1948. Its leader Mr Franco Nicolazzi has been moving the party away from the DC and back towards a possible reunion with the Psi.

The Liberal Party (Pli) dates back to 1848. Led by Mr Renato Altissimo it remains a classic centre-right neo-liberal party struggling to preserve an identity and support among small business people.

The Radical Party (Pr) is the maverick of Italian politics, led by the astute Mr Marco Pannella. It is dependent on the contributions and energies of its following among intellectuals and the young. By exploiting the opportunity for referenda, it has spearheaded some of the most important changes of recent years, including reform of the divorce and abortion laws.

Largest of the small parties is the left-wing **Democrazia Proletaria** with 1.5 per cent support followed by three regional parties with a handful of parliamentarians of which the largest is from the linguistically divided South Tyrol.

John Wyles

From left to right: Giorgio Almirante, Secretary of the Italian Social Movement (MSI); Dr Marco Panella, leader of the Radical Party, which has a following among the intellectuals and young voters; Alessandro Natta, 69, General Secretary of the Italian Communist Party.

Political future murky

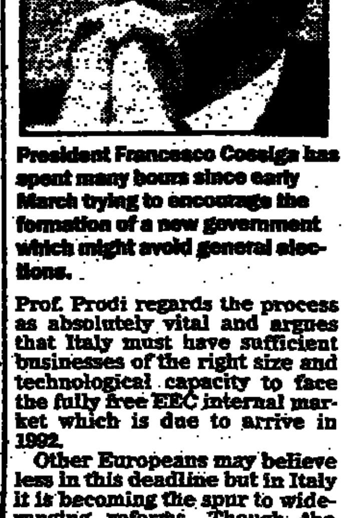
Continued from previous Page

senior businessmen such as Mr Cesare Romiti of Fiat, devote to attending weekend meetings of such regional associations.

As vehicles for raising awareness, stimulating competition, nurturing collaboration and, one suspects in the worst cases, for organising cartels, these associations seem to underpin a healthy business culture which runs from Milan to Bari. They also may help to explain why, in the first half of last year, 173,000 new businesses were started in Italy in a helpful counterbalance to 80,000 which ceased to trade (figures quoted in a Craxi speech).

The commercially aggressive culture is one reason for believing in the durability of the Italian economy. Another is the movement of the trade unions towards a more ready acceptance of market economics and a third is the clear-sightedness of many of the top managers.

While not all of their initiatives will pay off, Mr Romiti at Fiat, Professor Romano Prodi at Iri, Mr De Benedetti, Mr Raul Gardini of Ferruzzi are making acquisitions and alliances at home and abroad in a hasty attempt to remedy technological, financial and market weaknesses.



President Francesco Cossiga has spent many hours since early March trying to encourage the formation of a new government which might avoid general elections.

Prof. Prodi regards the process as absolutely vital and argues that Italy must have sufficient businesses of the right size and technological capacity to face the fully free EEC internal market which is due to arrive in 1992.

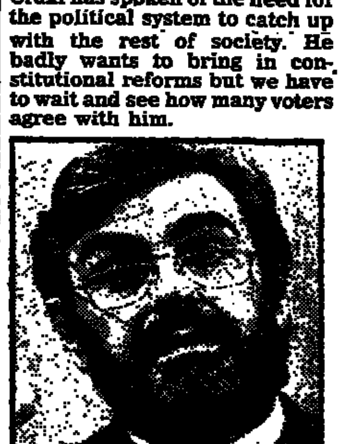
Other Europeans may believe less in this deadline but in Italy it is becoming the spur to wide-ranging reforms. Though the process is slower than many Italians wish, Italy is moving towards the abolition of exchange controls and, politics, permitting, will this year remove all currency restrictions on commercial exchanges.

Similarly, the Stock Exchange is wrestling with the difficult problem of internal reform and the urgent need to improve its regulations and provide much greater investor protection.

Reform, therefore, is in prospect across a broad front. Unfortunately, the most credible reforms are those which do not require legislative endorsement by the political system. In nearly four years, Mr Craxi's government made around 800 legislative proposals of which fewer than 400 were passed.

The government did not lack a legislative majority, but many proposals sank into the quicksand of Parliamentary procedures which offer extraordinary scope to those who for one reason or another want to black or delay legislation.

This is one reason why Mr Craxi has spoken of the need for the political system to catch up with the rest of society. He badly wants to bring in constitutional reforms but we have to wait and see how many voters agree with him.



Giovanni Goria, the Treasury Minister, claims that his policies have put the Italian economy on the road to overtaking the British.

Profile: Claudio Martelli

The voice of Craxi

" ALL MY life love, politics and philosophy have been my enthusiasm, " says Claudio Martelli in a smiling revelation which the world has assumed to be true of all Italian political leaders of the past 500 years.

Only the pleasure derived from philosophy might surprise those who have observed him since he became the Socialist Party's youthful vice-secretary at the age of 37 in 1981.

In Britain, the popular press would long ago have christened him " Martelli, the mouth. " But not even in Italy, where the political background noise is constant, has there been a voice noticeably more active than his.

It may be slightly stilled once his boss, Mr Bettino Craxi, has returned from the prime minister's offices in the Palazzo Chigi to the full-time management of his party. For the last three and a half years while Mr Craxi was preoccupied by affairs of state, Mr Martelli's function has been to run the party according to Mr Craxi's wishes and say things in *public which Mr Craxi felt* unable to say by reason of his position.

More often than not, the purpose of Mr Martelli's utterances has been to inflict flesh wounds on the Christian Democratic party. Mr Craxi's government, Mr Martelli has often seemed to imply, would be more radical and reformist if it was not constrained by its very much larger ally within the coalition.

Articulate and quick-witted, somewhat baby-faced with warm brown eyes which beg you to believe him, 43-year-old Martelli is a post-war product of modern Milan, impatient with the " backward " political system in which he has to operate.

" The social system is modern and the political system is very old. We hope to unite around Bettino Craxi all those who want to change things, " he says, explaining why Mr Craxi and his Socialists are determined to force institutional reform onto the political agenda.

Mr Craxi's proposal for a directly-elected President of the Republic has had a mixed reception among the other political parties and among political analysts who suspect it as a self-serving initiative to establish the Socialist leader more durably in power.

" As soon as we made the proposal, the cartoonists started putting Craxi in a blackshirt. But dictators don't usually ask for votes," says Martelli disdainfully.

What is this gap between politicians and the people which is so often lamented in Italy?

" It is not a problem of participation which is high in comparison with elsewhere in Europe and the United States. What will not do is goverments that last only seven or eight months nor a parliament which needs three or six years to pass legislation.

" The welfare state must be reconstructed, education, health and justice all need to be changed. People are suffering all the time through contact with a public administration that does not work. In the poorest areas of the south the combination of injustice and inefficiency is explosive," says Martelli, speaking all the time in the measured didactic tones of the professor of philosophy that he was before turning full-time politician in 1976.

The reformer's convictions come through loud and clear. But could not Mr Craxi have done more during his three and a half years to work on some of these necessary changes?

Sadly, says Martelli, they formed no part of the programme upon which the five-party Craxi government was based. It was established in August 1983 to reduce inflation—" without using Thatcherist methods "—and to secure economic growth. Moreover, " to reform Italian institutions means struggling with the Christian Democrats and the Communist Party."

A lot of people have difficulty distinguishing between the major Italian parties, either in terms of ideology or practice. All seem to be in a constant search for fractional electoral advantage, all shrink from measures which might encounter organised public opposition and all have their placement in positions of economic, industrial and social influence.

Not so, says Martelli. Although he and his fellow Socialists might find some grounds for agreement with left-wing Christian democrats, the two parties differ on fundamentals including the nature of political leadership.

" The DC is a party of mediation, not of political choice. It postpones problems and hides them away and after 40 years in power is entwined with the apparatus of the State. It is a party of bureaucracy, not society," he says.

"This is just as true of the Communists whose procedures are so bureaucratic that it is difficult to know what their policies are on anything."

The same can often seem to be true of the Socialists. The party's industrial spokesman, for example, has been following a different line in nuclear energy from Martelli's who favours phasing it out altogether. Who is reflecting party policy?

He was speaking for the majority, said Martelli, and his was the party line. The way he operates gives the impression that he declares policy in public speeches and then checks with the party afterwards. Was this how policy is actually made?

"No, I check with Craxi first, then make the speech and afterwards confront the party. I have learned from Craxi that if you give a lead, then others will follow," he says.

Does he think that the party's democracy compares with its British or German counterparts?

"We are definitely a lib-lab party but I thnk democracy and bureaucracy are two different things," he explains.

"It is not that I improvise or invent policy. When I make propositions I hope the party will embrace them, but one does not expect everyone to agree."

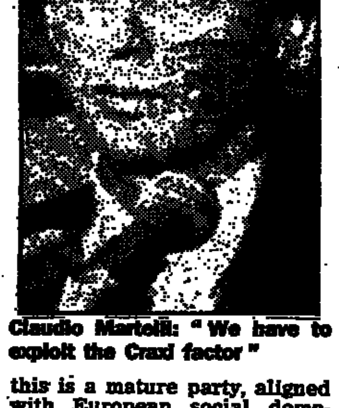
But as he makes clear, he represents the vastly dominant "maggioranza" in the party which Bettino Craxi has determinedly and quite ruthlessly sculpted since he became leader in 1976.

Craxi, also a Milanese, has been a dominant influence on Martelli's political life, which did not, however, begin as a Socialist. His elder brother led him first into the Young Republicans at the age of 14 when he started to number himself among those "who dreamed of building a large democratic party of the left which would include the Socialists, the Social Democrats (who had broken away from the Socialists in 1948) the Republicans and the Radicals."

He had hoped to see the Socialists "abandoning Marxism and integrating into the progressive mainstream of Western Europe." When the Republicans refused to join with the Socialist-Social Democratic reunion of 1966, Martelli joined the Socialists because "they had started to draw away from the Communists and were seeking an independent European road."

Since then he says he has been battling with Craxi to rejuvenate and renovate the party, opening it up to new ideas and social trends such as environmentalism and feminism.

" The result of the battles Craxi and I have fought is that this is a mature party, aligned with European social democracy," he says. Symbolic confirmation of this transformation will be the Party's abandoning of the hammer and sickle on its banner, isolating the red carnation as is sole emblem.



Claudio Martelli: " We have to exploit the Craxi factor "

But can the modernisation process and the achievements of the Craxi years in government enable the Party to breakthrough the stubborn 11-12 per cent barrier to its share of the popular vote?

Without institutional reform that will allow the Socialists to run Mr Craxi as an executive President on the French or American model, Martelli seems doubtful. At the moment, the Party is competing with the radicals, the Communists, and part of the Christian Democrats for a share of the " progressive vote."

Which leaves him still strugglin to achieve his youthful dream—" we have to exploit the Craxi factor, not for personal power, but using the personality to construct a grand democratic reformist party of the left."

The vision is there, and so is the vehicle in the shape of Mr Craxi, but uncertainty remains as whether the Italian people really do want to climb aboard.

John Wyles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OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.
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Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.
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Foreign policy shows more willingness to share Atlantic Alliance burdens

Greater interest in wider world

Mr Giovanni Spadolini: new thinking on defence matters

THE AUTHOR of a recently-published book on contemporary Italy saw no reason to include a chapter on foreign policy because, he regretted, there was nothing much to say on the subject. Italy was and is a self-satisfied member of the European Community and a somewhat "slavish" follower of American leadership within the Atlantic Alliance.

The judgment is understandable because Italian foreign policy in the early post-war period was lodged very firmly in the multilateral context. For decades, there was very little to distinguishing detail: Rome did not have rows with its EEC neighbours, unlike many other Community country and it stayed close to the American line within Nato.

The 1980s have brought changes, not of fundamental orientation, but of emphasis pointing especially towards the shouldering of more responsibilities within the Atlantic Alliance. Starting from a low base, Italy adhered to the Nato spending decision of the late 1970s to raise annual outlays by a real 3 per cent a year, troops were committed to UN peace-keeping in the Sinai and to the ill-fated multi-national force in Beirut, and the stationing of Nato's medium-range cruise missiles in Sicily was calmly accepted.

As Italy began to behave more like a middle-ranking European power ready to share Alliance burdens, so Italians began to take more of an interest in the outside world. Foreign reporting has greatly expanded in newspapers and on television, a process that has been aided by the "newsworthiness" in their different ways of Ronald Reagan and Mikhail Gorbechev.

Superpower relations have their distinct echo in Italian domestic politics. As the cold war started to take hold, in May 1947 the Communist Party (Pci) was forced out of Alcide De Gasperi's third post-war government by Vatican and American pressure on the Christian Democrats to purge the administration of pro-Soviet forces.

Since then, the Pci has travelled a considerable ideological distance away from Moscow, endorsing the EEC, Nato membership and affirming in 1981 that the Soviet Union no longer offered a development model for other Communist parties.

This historic rejection of Moscow by the late and charismatic leader, Enrico Berlinguer, has lately come to be challenged from the old Stalinist wing of the Party. The challenge, however, has undoubtedly been made possible by the popular appeal in Western Europe, unprecedented in a Soviet leader, of Mr Mikhail Gorbachev.

The Pci is not about to ditch Atlanticism but it does take 30 per cent of the vote despite being perceived as closer to Moscow than to Washington. Mr Gorbachev can, therefore, be a positive political aid to the Pci, unlike most of his predecessors who were a liability.

The parties which are in government have taken this into account in their dealings with the Soviet Union. Mr Craxi, his advisers say, was urging Italy's allies "to take Mr Gorbachev at his word" somewhat before Mr Hans Dietrich Genscher of West Germany publicly called on the West to do so in early February.

For his part, Mr Giulio Andreotti, the Christian Democrat Foreign Minister with unquenchable prime ministerial ambitions, visited Moscow in March for talks with the Soviet leader. The trip followed so quickly on half an hour in the White House with President Reagan as to leave no doubt that one of its purposes was to be seen by the Italian people to be establishing a balance.

The talks with Mr Gorbachev did, however, serve to remind the Italian delegation of the presence of an extremely able man in the Kremlin. Officials came away doubting that Mr Reagan could be a reasonable match in the superpower negotiating stakes and drawing many of the same conclusions that have been drawn elsewhere in Western Europe: that the Europeans need to tie down as much of the American position as possible in advance of any summit negotiations, and that greater political influence on both superpowers can only be achieved through a much more determined effort by Europe to provide more of its own defence.

Italian policy towards the arms negotiations, the strategic defence initiative and the anti-ballistic missile treaties differs in only one respect from that of the other leading European powers. Both Mr Andreotti and Mr Craxi have spoken publicly in favour of including the British and French nuclear forces in the strategic weapons negotiations between the US and the Soviet Union.

There was no apparent reason for Rome to take this position, which has caused considerable irritation in Paris and London. Some Italian officials believe that the punishment from Mrs Thatcher was her boycott of Rome in her consultations with allies in the run-up to her trip to Moscow at the end of March.

Instabiity around the Mediterranean rather than developments in superpower relations has been having a profound effect on Italian defence thinking. Until the mid 1970s the military threat was always identified to the East which meant that Italy allocated for itself the one defence task of defending its north-east border.

In a gradual process of clarification, Defence Minister, Mr Giovanni Spadolini produced in 1985 a rare Defence White paper which contained the additional novelty of new thinking on defence matters.

This identified not one, but five defence missions for the Italian military—north-east frontier defence, southern defence, air defence, territorial defence and participation in international missions.

Although some of the thinking was still not as clear as it might have been, the White Paper was an important step forward towards a definition of the purposes of Italy's military forces and towards defining equipment priorities.

The competition between the three arms of the forces is still waging without, unfortunately, the benefit of a proposed new law, firmly trapped in parliamentary procedure, which would have created a chief of the general staff with powers over the chiefs of the individual services.

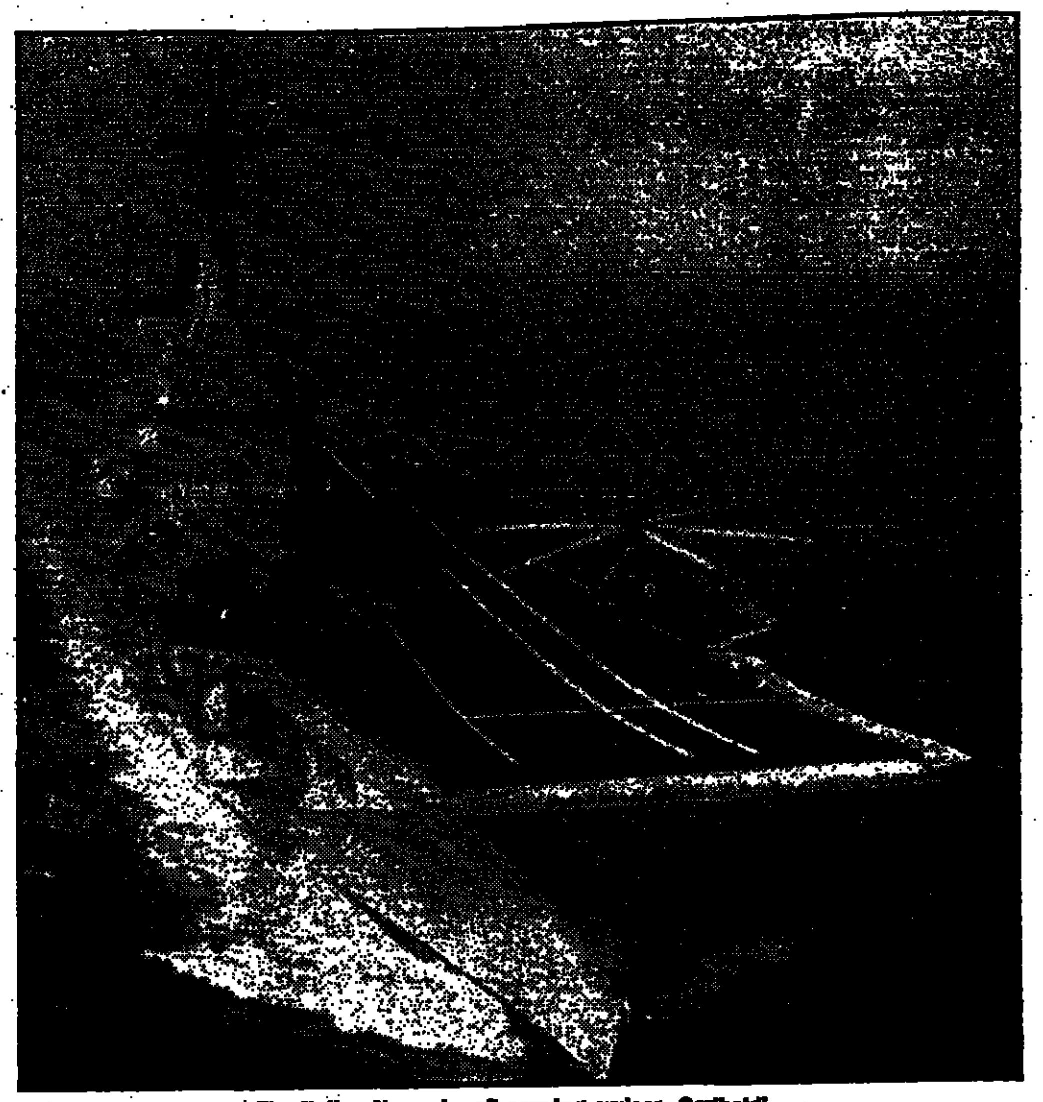
A great deal of the inter-service rivalry stems for a continuing failure to define what ought to be Italy's role in the Mediterranean beyond that of defending its national territory. Defence, these days, means a capacity to intervene in situations short of war, at some distance from the national territory, but Italian defence planners are still groping towards the equipment implication of the need for Mediterranean capability.

In a recent study published by the Italian Institute for International Affairs, Dr Stefano Silvestri, identified three options for defence policy: maintaining the traditional bias in favour of meeting a threat from the north-east, albeit with better inter-force planning "concentrating resources on the mission judged to be of supreme political importance, a judgment which would derive from the politico-military role Italy wished to play in Europe or the Mediterranean" or finally, developing the maximum flexibility in the ability to perform varied military tasks.

This last option, preferred by Dr Silvestri, would mean that the requirements of the three forces could not be optimally satisfied, "but the country would be compensated by the possibility developing a more complete and satisfying security policy than currently exists," says his study.

In a powerful argument for change, Dr Silvestri warns that not to move in one direction means, in reality, going in the opposite." This would mean retaining the "old model of Italian defence, immobile, frozen in the north-east, scarcely credible as a conventional force (not to mention the tactical-nuclear aspects), heavy in manpower and short in technology and investment, scarcely integrated into Europe and barely capable of a security policy." This hardly sounds like a military machine capable of underpinning a more multi-faceted security policy serving Italian interests, not only to the north of its borders, but also in the Mediterranean.

John Wyles



The Italian Navy aircraft-carrying cruiser, Garibaldi

Military reforms

Problems in the barracks

IN ONE of his frequent observations on problems within the armed forces, Mr Giovanni Spadolini, the Defence Minister, in the Craxi government, borrowed a dictum of de Tocqueville, the French political scientist: "Solutions to an army's evils are not found in the army, but in society."

Mr Spadolini was commenting on conscription, which he attempted to reform with measures introduced on January 31. But the assessment serves to remind Italians that, if their forces are over-loaded with conscripts and under-funded, it is because they wish it so.

Italians remain determinedly non-military and an outbreak of interest in the forces last year was at the human interest level. There were barracks problems in the army, which takes 230,000 of the 300,000 men called up for military service each year.

The greatest alarm was over suicides among recruits, with six during one seven-month period. There were also reports of "*nonnismo*" (*nonno* is Italian for grandfather), a collegiate custom of bullying the newly-arrived.

The army acknowledged, too, that the barracks were not first-class hotels. A fifth of the 500 were convent-type buildings, built before 1900; 50 have been built since World War Two, but only nine in the past five years—partly with earthquake funds.

The reforms reduced service in the navy to 12 months, as in the other forces, and focused attention on selection to weed out the psychologically unsuitable. Mr Spadolini deplored the suicides, but pointed out that they were not out of tune with suicides of young civilians. Moreover, the suicide rate per 100,000 troops in Italy in 1985 was 4.4, against 21 in West Germany.

Efforts are being made to ensure that 70 per cent of conscripts serve within 300 km of home. And last July their daily pay was doubled to L4,000 (£2).

The reform also aimed at raising the volunteer element in the armed forces. Together with a cut in the military service contingent by 17,000 over three years, this reflected a wish to shift the emphasis from quantity to quality.

The maximum permitted proportion of volunteer troops was lifted from 16 per cent (30,000) to 19 per cent. But low pay and poor preparation for a job in civilian life after what might be only two years of service has restricted volunteer troops to about 3,000.

It will be hard to fill the gap, which is aggravated by a falling birth rate. The number of boys born fell from 552,000 in 1964 to 319,000 in 1981 with the prospect that it would be impossible to obtain the quota of 300,000 as early as 1989.

Rather more than a third of any call-up year are found unsuitable or postpone service, perhaps for university. Requests to do civil work as a conscientious objector grew from 200 in 1973 to 9,000 in 1984, partly because of an easing in the rules. An objector serves an extra eight months—"but it's better than sitting in a barracks doing nothing," says a 20-year-old Rome university student.

Studies put before the Defence Ministry suggest that a volunteer costs twice the amount of a conscript but is worth three times as much. A plan for women volunteers is being discussed, but radical change is ruled out because the political consensus—growing out of date in an increasingly stable Italy—is that an army, drawn from among the people, is a safeguard against a coup.

Italy's army has 80 per cent conscripts while the French and West German armies have a conscript proportion of 65 per cent and 55 per cent respectively. France has 60,000 non-commissioned officers (NCOs) in an army of 296,000 and Germany 80,000 among 340,000. Italy has only 30,000 in an army of 281,000.

There is high regard for the Italian army's 21,000 officers, who include some conscript officers, and there is stiff competition for places in the officers' academy at Modena. Their morale has suffered recently, however, from a dispute with the Government over pay.

The verdict of Stefano Silvestri, vice-president of the Rome-based Institute of International Affairs and a defence specialist, is that the army would be effective in its given theatres of action.

Its classic theatre is in Friuli and Veneto in the north-east, where the fifth army corps guards the Gorizia gap against any Warsaw Pact incursion. This comprises the armed forces' first joint mission.

The second is defence in the south, which has taken on greater importance for Nato in the light of Mediterranean instability. Air defence, territorial defence excluding the north-east, and civil defence including a rapid intervention force make up the third, fourth and fifth missions.

The army, says Mr Silvestri, "has spots of excellence—on average, it is a typical conscript army slowly trying to modernise. It is not a good fighting force in terms of projecting power out of Italy, but it could be a good defensive force."

Mr Silvestri believes it could be fragile in a protracted campaign because of equipment weaknesses in back-up forces. This is an indictment of Italy's low defence-spending, which was only 2.7 per cent of gross domestic product in 1985. Total spending for 1987, excluding the para-military Carabinieri, was set at L15,607bn (£8bn). Of this, 39 per cent was for personnel.

The Defence White Paper of 1985 attempted to introduce long-term planning and the budget for 1987-89 has been linked to GDP. But lack of funds threatens to erode the enormous progress made in re-equipping since 1975. The army's main projects are the Catrin electronic battlefield and a replacement tank for the 1950s vintage M47.

But neither the Communists nor the Catholic-dominated parties would stomach a big rise in spending.

"You need a public behind an army," said Mr Vincenzo Nigro, who writes on defence for La Repubblica. "A public which says, 'Yes, there is a need to spend'."

John Simkins

Italy's armed forces

	Officers	NCO's	Troops
Army	21,000	30,000	230,000
Carabinieri	2,300	21,000	75,000
Navy	4,000	18,000	26,500
Air Force	7,600	31,300	35,500
Total	34,900	100,300	367,000

Source: Italian Ministry of Defence, Nov. 1986

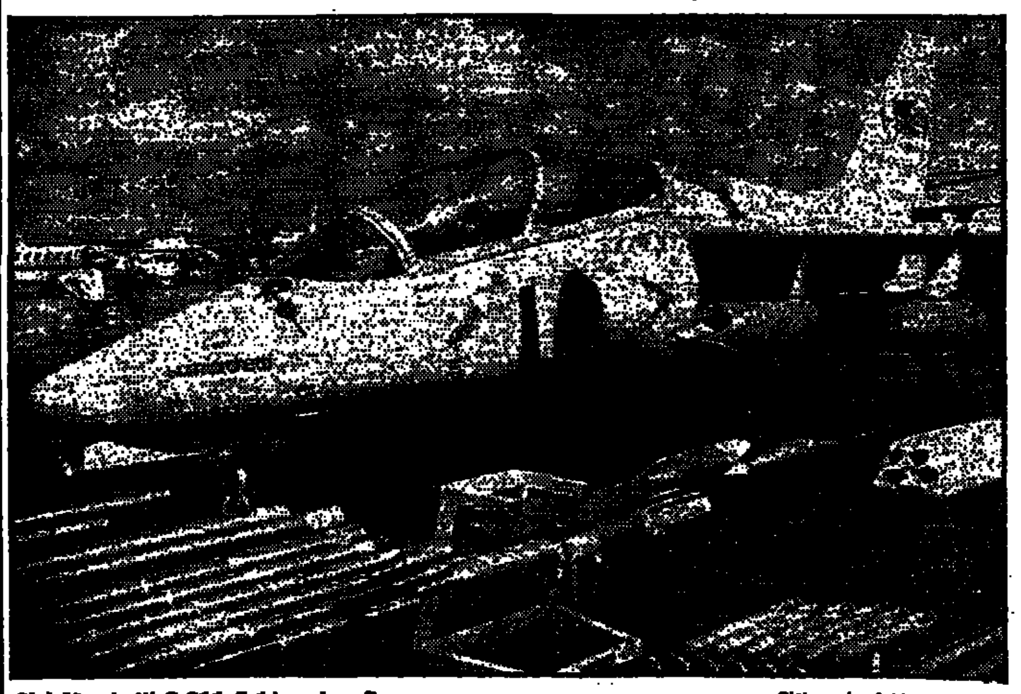
Nato defence expenditure (% of GDP)

Country	Average 1975-84	1985 (estimated)
Belgium	3.3	3.3
Denmark	2.4	2.3
France	4.0	4.1
*Germany	3.4	3.3
Greece	6.6	7.1
Italy	2.5	2.7
Luxembourg	1.1	1.2
Netherlands	3.2	3.1
Norway	3.0	3.2
Portugal	3.6	3.2
Turkey	5.0	4.4
UK	4.9	5.4
NATO Europe	3.7	3.8
Canada	1.9	2.2
US	5.9	6.9
NATO Total	4.7	5.6

*Excluding Berlin

Source: Nato

Aeritalia G222 Lapes military aircraft



Siai Marchetti S-211 fighter aircraft

Pictures by Ashley Ashwood

The economic scene

Year of consolidation

THIS IS a year of consolidation for the Italian economy, which has now completed the bulk of its recovery phase of the past three years.

Although forecasts on matters such as the surplus to be achieved in the balance of payments current account are being revised slightly downward, Italy in 1987 is likely to continue as one of Europe's fastest growing economies. The rate of growth (in terms of the gross domestic product) is expected to be close to 3 per cent in the current year, against 2.7 per cent for last year.

Last year Italian industry realised significant benefits from the fall in oil prices and the weakness of the US dollar against the lira. The combined effect of these two factors was a windfall for the economy. This year the oil price is nudging upwards, but the dollar remains weak against the Italian currency.

The end-result is that costs remain acceptably lower than in previous years, no small thing for a country which imports around three-quarters of its energy requirements.

Among the main problems which Italy faces this year is the fact that its own economic growth rate is higher than the projected rate of France and West Germany, its principal trading partners.

Given strong consumer demand (which in Italy translates immediately into import demand) this disparity in GDP growth rates will almost certainly have negative consequences on the import-export front.

Another problem is Italy's excessive public sector deficit, which clocked in last year at L110,000bn ($84.6bn). The Government's target for 1987 is L100,000bn, but the Bank of Italy fears that the actual level will be closer to L110,000bn again. Among the central bank's concerns is the level of public sector pay awards.

The public sector deficit, and the fact that the cumulative state debt stock is roughly equal to the country's annual GDP, means that this problem remains a Sword of Damocles for the Italian economy.

Mr Alberto Mucci, the chief economist at the Rome-based Banca Nazionale del Lavoro (BNL), agrees with others that the deficit problem will prevent interest rates from declining further in the next few months. He also agrees that Italy's politicians have not tackled the deficit problem or shown much inclination to do so.

"The Italian economy has strengthened substantially in recent years, but the problems of public administration, the state bureaucracy, the inefficiency and its attendant costs in terms of our public sector deficit are a constant for us, which is an unfortunate state of affairs," comments Mr Mucci.

Whoever succeeds Mr Bettino Craxi as prime minister (even if it is Mr Craxi himself) will have to face the issue of Italy's runaway public spending. Unfortunately, the tendency of Italian political parties to buy votes by throwing public money at pork-barrel projects, combined with traditionally high spending on social programmes (Italy has Europe's most generous welfare state) is unlikely to be altered. No Italian politician, Mr Craxi included, has appeared willing to tackle seriously the issue of the deficit.

The Treasury's need to finance the deficit by means of its bond programme means that there is little scope for lowering interest rates for the rest of 1987. Last year saw three cuts in the discount rate (in March, April and May), which brought the rate down from 15 per cent to 12 per cent.

Last month saw a reduction by half a point to 11.5 per cent, and the country's monetary authorities doubt whether they will be able to move beyond that for the time being.

The Treasury last month attempted an innovative move in its fund-raising programme, offering zero coupon bonds, but the issue fared badly.

A look at the country's balance of payments current account suggests that import demand—fuelled by a rise in real incomes at home and the relative strength of the lira even within the European Monetary System (ECS)—will see imports growing faster than exports. The 1987 balance of payments current account surplus looks likely to come to between L3,000bn and L4,000bn, rather a more modest level than the L7,100 surplus of 1986.

The trade performance could be threatened further, however, by a continuing depreciation of the dollar which makes Italian exports less competitive. Several Italian export sectors, such as shoes and clothing, are already feeling the pinch caused by the dollar-lira rapport.

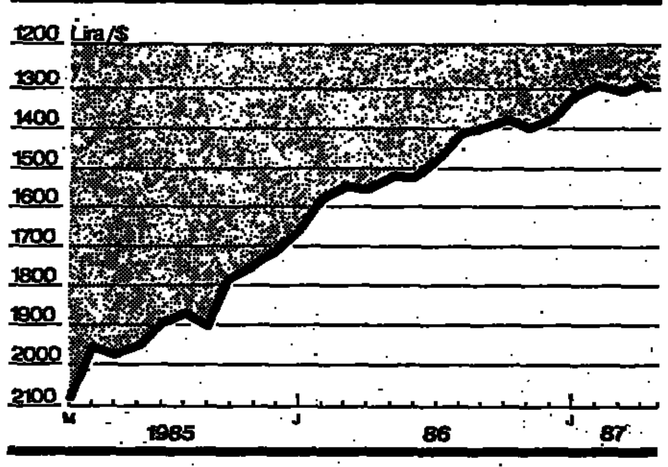
This problem is on the horizon, but generally speaking Italy's private sector continues to prosper. Corporate profits rose by an average of 35 per cent in 1985 and 1986 and while the current year may seem a slightly lower level of increase the outlook remains buoyant.

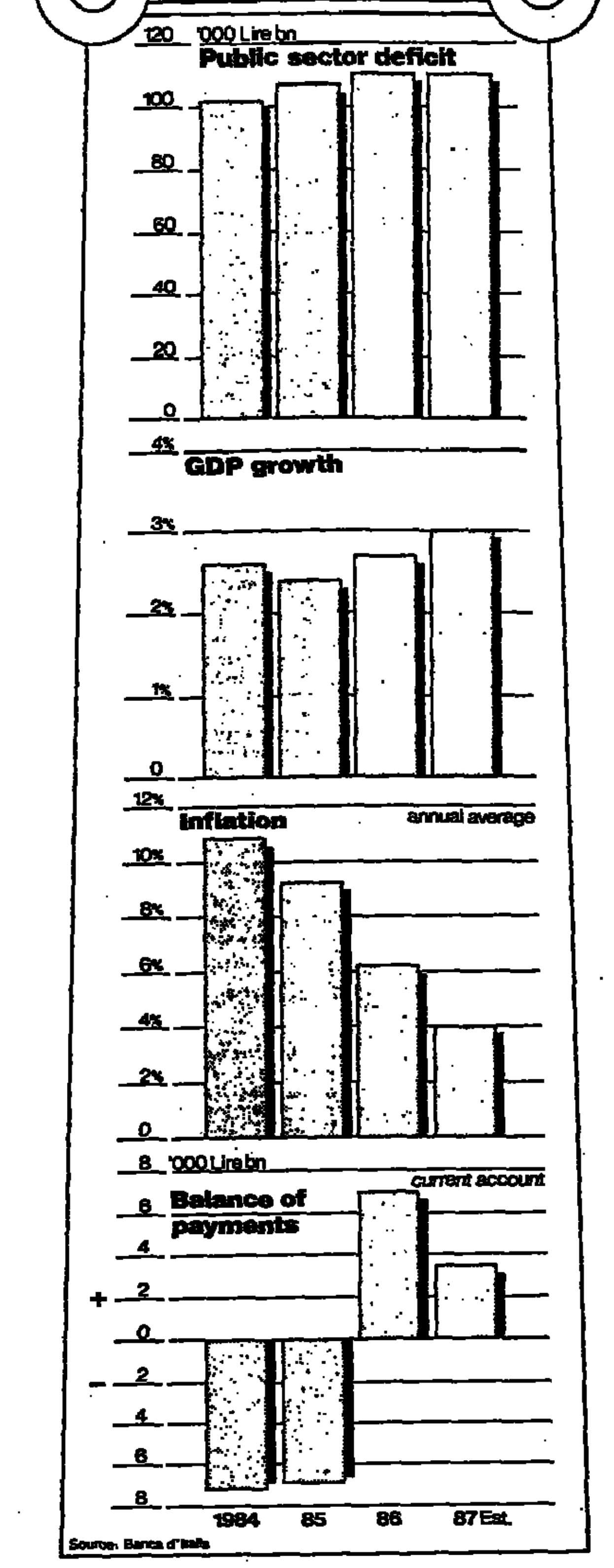
Industrialists are as frustrated as ever at the inability or unwillingness of Rome politicians to act on the public sector budget, but the disarray in Italy's public sector finances has not prevented Italian companies from going out aggressively and buying foreign companies in France, West Germany, Spain and elsewhere.

Increasingly, public sector deficit problems notwithstanding, the Italian economy (perhaps along with that of Spain) looks like being a growth region in what could be called the "Sunbelt of Europe."

Alan Friedman

Lira against the Dollar





Labour and pay negotiations

More tranquil climate

THERE WAS a time a few years ago when an Italian minister of labour would have spent the recent months perambulating between employers and unions in an attempt to reduce the level of conflict in the country's big set-piece pay negotiations.

Since last September, however, Mr Gianni De Michelis, the minister of labour in Bettino Craxi's government, says that he has not lost a single night's sleep. With the major agreements covering around 10m private and public sector workers now largely completed, the burly Socialist from Venice looks on the results with some satisfaction.

"The recent agreements confirm that Italy is a modern industrial country. There were no interminable strikes, the private sector agreements were directly negotiated without government involvement and the results were compatible with the logic of the economy."

Across at Confindustria, the Italian employers' organisation, satisfaction is not quite so intense but the overall judgment is nonetheless positive. "The negotiating climate was rather tranquil. There were some ritual strikes but without any background of violence," says Professor Franco Mariani, Confindustria's senior industrial relations adviser.

The employers had hoped to keep pay rises within projected inflation levels but, according to Professor Mariani, "we knew we would probably be unable to."

Satisfaction, tinged with relief, is also evident at the headquarters of the three large union confederations, the Cgil, Cisl and Uil. They embarked on the exercise considerably uncertain of their capacities after nearly half a decade of disarray and weakness, culminating in the defeat dealt out by Mr Craxi's government over cuts in wage indexation.

"I don't think anybody could have foreseen a year ago a recovery in the role of the unions as has happened this year with the renewal of the contracts," says a satisfied Mr Fausto Vigevani, a national secretary of the Cgil.

Although far from total, the union "recovery" does seem partly based on a renewal of dialogue between leadership and rank and file. This found its clearest expression in the use of referenda as part of the bargaining process. Workers in key sectors, such as chemical and engineering, were balloted beforehand on the contents of their claims and afterwards on the employers' final offer.

The Bank of Italy's judgment of the three-year agreements is somewhat less relaxed. They will yield average pay rises of 6.5 per cent this year against a projected inflation rate of 4 per cent. When employers' increased social security payments are added on, unit labour costs may well rise this year by 5 per cent "or more than double that expected in other industrial countries," said the bank in its recent quarterly bulletin.

The bank was even more astringent about the concessions made by the government in negotiations with its own employees. The bank's principal worry is that the government has got is budget calculations wrong, conceded more than it should and put its L100,000bn 1987 borrowing requirement in jeopardy.

> **Although far from total, the union "recovery" seems to be partly based on a renewal of dialogue between leadership and rank and file in key industrial sectors.**

Average pay rises in 1987 for civil servants and local authority workers will reach 12 per cent, including a lump sum to compensate for the absence of any increase last year because of a 12-month delay in launching negotiations. Spread over the life of the agreements, these public sector salaries will rise by 8 per cent in 1986 and 1987 and 5 per cent in 1988.

Although they have recovered some of their cohesion and authority, the established unions are under much stronger competitive pressure for members than before from so-called "autonomous" unions. These have provided much of the most militant activity in the past year among groups such as hospital doctors and airline pilots.

Among other things, these unions are exploiting to some effect the growing demand for wider pay differentials after years of compression under the wage indexation system.

This was something the established unions had to take into account during the recent bargaining which did, as a result, yield special payments for supervisory and middle management workers.

Nevertheless, some members were clearly dissatisfied with the compromise the unions were required to make in the private sector negotiations.

The engineering deal, for example, was accepted by 65 per cent of those taking part in the ballot against 75 per cent who had backed the initial list of demands. It is not clear which aspects of the final agreement—which sets the pattern for much of the rest of manufacturing industry—caused most disappointment but only very modest headway was made on two central aspects of the claim.

On working hours, the employers conceded no more than a 16 hour reduction in the working year from January 1989 against a claim for 32 hours less spread over the life of the agreement. In other industries, the unions did slightly better, securing a 26 hours reduction for graphical workers by 1989 and 20 hours for chemical workers. In any event, the view in Confindustria is that very little of importance has been given away on this front in any industry.

The employers are similarly relaxed about the settlements covering information and consultation. In engineering, chemicals and textiles, the unions had sought both national and company-level joint committees to discuss technoligical changes and general business and employment developments.

In most cases, the employers agreed to discuss broad technolgical issues on annual or biennial basis at national level, but successfully resisted any expansion of consultation rights at company level.

Notwithstanding the general feeling that these national negotiations have produced broadly-balanced agreements, employers have been expressing concern about the impact on costs of the wage increases they have conceded.

Their message is that they give away rather more than they should have at national level and, therefore, there is little scope, if any at all, for additional rises to be negotiated at plant level. According to Mr Cesare Romiti, the Fiat Group's managing director, wage and associated costs in his companies will rise by 12 per cent this year. It would be quite illogical and uncompetitive, he says, to entertain any thoughts of further pay rises through plant bargaining.

Many other companies may be more accommodating than Fiat. Changes in various premia pay-

Continued on Page 6

Continued from Page 5

Dialogue on wage issues

ments could add another 6 per cent to the value of the national bargains over three years, according to Confindustria. Some companies will give much more under pressure, according to Professor Mariani, because order books are strong and there is still scope for productivity improvements.

The productivity card is clearly going to be crucial if Italian industries heavily dependent on export markets are to retain a hitherto incisive competitive edge. Were they to lose overseas markets, then the rate of job reductions in large manufacturing companies would start to rise again, having fallen to 4 per cent a year from 5.2 per cent between 1982 and 1985.

Unemployment in Italy, now at around 11.6 per cent, is increasingly a problem of the south and of young people in the south. Unemployment rates among the under 30s in Calabria and Sicily has passed 30 per cent in many areas while the total in the country as a whole is more than 2m.

Despite enjoying its fourth consecutive year of economic growth, Italy finds itself with the same unemployment predicament as most other European countries. There are two reasons, however, why, despite the very high concentrations of unemployment, the situation is not desperate. One is the strength of family support which often draws from the black economy and which provides some income and casual labour for a proportion of the unemployed.

The other is the scope for new solutions in the Mezzogiorno. In 30 years, the government has installed a lot of necessary infrastructure and greatly helped the prospects of areas such as Campania and Puglia. But it has not yet overcome the difficulties of assembling co-ordinated incentives and strategies for attracting companies whose activities will stimulate the entrepreneurial resources of the Mezzogiorno itself.

Until a stronger employment base can be established in the south, the region's higher birthrate will continue to push unemployment upwards.

John Wyles

Even the bankers are finding it difficult to keep track of all the new ventures being launched

Banking widens its net

THE CHIEF executive of Italy's Banco di Sicilia, one of the country's bigger banks, seemed to speak for many of his colleagues: during a lightning visit to the bank's Milan branch, Mr Ottavio Salamone paused from a frenetic schedule and complained of how little time there was.

"We are all so busy, rushing around launching new ventures, learning to compete with each other, trying to stay ahead of the market, that all of these matters of extraordinary administration leave us little time for ordinary bank matters," he says.

This banker's description of himself and his colleagues is apt. Italy's banking world is flowering in so many new directions that it is sometimes hard to keep track of it all, even for the men who run the banks. Seen in overall terms this expansion on several fronts at once amounts to a new competitive drive, or in other words, a greater orientation to a rapidly changing market.

It is now more than three years since the lifting of Italy's corset—tight restraints on lending—known as the "massimale" (it was reimposed for a brief time last year). Since then the banking system has gone far beyond the initial phase of competition in the corporate loan market which that move helped to spur.

In the past year many Italian banks have strengthened their capital bases in a substantial way. Although the system is predominantly state-controlled, bankers such as Mr Enrico Braggiotti, who recently took over as chief executive of Banca Commerciale Italiana (BCI), Italy's second biggest bank which is controlled by the IRI state group, now speak openly about diluting state control below the 50 per cent mark.

Major Italian industry has been restructured and recapitalised in recent years, with several privatisations of state holdings as well, now the financial system is beginning to catch up with industry.

The growth of the Milan bourse, especially during its boom period of January 1985 to May 1986 has placed this equity market on the international investment map despite its inefficiencies. Its total capitalisation is above US$130bn—four years ago it was $28bn.

Carlo de Benedetti, chairman of Olivetti, points to a sociological and cultural change in Italian finance

The 70-odd mutual funds which started up in late 1984 have so far collected more than $50bn from nearly 3m savers. As Mr Carlo De Benedetti, the Olivetti chairman and head of a diversified industrial and financial empire, puts it, there has been a "sociological and cultural change in Italian finance."

Mr De Benedetti, who more than anyone else pioneered the development of the Italian equity market as a source of corporate finance, says there are now 2m families who are shareholders either directly or through mutual funds.

"That means there are 2m families who feel themselves in some way to be part of the economy and industry. One family in 10 is now an investor. In 1983 there were just 200,000 families involved—that is a substantial change," he says.

The rapid growth of Italy's financial market has been a mixed blessing for the banks. Disintermediation has been a problem, deposits have to a certain extent trickled out of standard accounts and toward the mutual funds. But the rise of non-bank intermediaries has been a greater threat to some of Italy's stodgier old banks.

Among the recent developments which have kept Italian bankers on their toes have been:

- The new regulation on merchant banking.
- The row between banks and stockbrokers over the plan by some banks to begin continuous electronic share trading.
- The polemics which have accompanied the new regulations placing limits on the extent to which industrial companies can buy into banks.
- The controversy over the arbitraging of bank loans by companies.

These matters came in an increasingly competitive loan market, where the average cost of deposits is still relatively low, and margins still fairly fat by Anglo-Saxon standards, but where in-built overstaffing and other inefficiencies makes cost containment difficult and new investment in automation an expensive necessity.

Merchant Banking

Two months ago, the Rome government's interministerial cabinet committee on credit and savings approved a set of guidelines on merchant banking which should see the creation of up to a dozen new institutions in the next year or so.

The Bank of Italy, which designed the new regulations, is interested in having the new merchant banks provide finance, advice, and eventually stockmarket listings to promising small and medium sized companies. Because the emphasis is on taking a share stake and bringing the company to market, the new Italian merchant banks will more resemble the *Compagnie Financiere* of French extraction than the type of institution one finds in the City of London.

One notable exception will be the merchant bank launched recently by Banca Commerciale Italiana (BCI), which is to have an initial capital of L150bn and already has two partners—Paribas of France with 40 per cent and Generali, the leading Italian insurer, with 20 per cent. The Milan-based BCI wants to establish a European merchant bank which handles everything from corporate finance to trading in Euro-equities.

In Rome, meanwhile, Mr Nerio Nesi, the outspoken chairman of Banca Nazionale del Lavoro (BNL), Italy's biggest state bank, takes a more domestic view.

"I start from the premise that there are thousands of good small and medium sized companies which are undercapitalised and which face a prohibitively high cost of money," he explains.

Mr Nesi's BNL has various merchant banking ventures, the main vehicle being FIP, which was established two years ago and has already made 10 investments of around L10bn each to take an average equity stake of 20 per cent per company. But Mr Nesi wishes to involve others in his merchant bank, so he sold 20 per cent of FIP to SAI, the third largest insurer. Some 20 per cent of FIP's equity is owned by a consortium of 40 industrial companies and FIP is talking to a British merchant bank about a partnership.

In some ways the BCI and BNL strategies suggest a cross between consortium and merchant banks, but the above are two of the most professional new ventures being launched. Many others are not so well organised.

Mr De Benedetti, whose own Cofide group is engaged in what could be termed a form of merchant banking, is pessimistic about prospects for new players in the market, largely because of the lack of experienced personnel in Italy.

"I think that more than anything else the growth of merchant banking will depend upon finding the right people," says Mr De Benedetti, adding that "the commercial banks do not have the right people and I am very worried that Italian merchant banks will not have really well-trained management."

Mr De Benedetti's view that "the problem is management, not capital" is shared by many bankers.

Banks and brokers

"The stockbrokers want to murder me," jokes Mr Nisi as he comments on the war raging between his own bank and Milan's 120 registered stockbrokers, who fear that a "Big Bang" in Italy could see banks taking over much of the share trading.

The brokers, who have tended to lead a fairly cosseted existence, earning commissions on orders which come largely from the banks themselves, are fearful of extinction. The banks, meanwhile, have long made their own after-hours market on the telephone and away from the official bourse—this accounts for roughly half of all trading volume.

BNL recently introduced continuous electronic share trading, which saw the Milan brokers up in arms. The Consob stockmarket authority persuaded BNL to cease trading (at least until the start of May) while it works on compromise legislation which would create new firms which the banks might control and staff with senior stockbrokers.

The battle between brokers and banks looks likely to drag on for several months, but at the end the brokers may find themselves outmanoeuvred.

Industry and banks

The Bank of Italy, wary of the designs which leading industrialists have on banks (and their deposit funds), and the satisfaction last month of seeing the interministerial credit committee approve a set of guidelines on the extent to which industrial and other concerns may acquire shareholdings in banks.

The central bank is convinced that the separation of banks and industry is a fundamental principle for the banking system, not least of all because of ugly experiences in the past which have seen Italian industrialists acquire control of banks and then hijack deposits for their own use.

Last autumn, when both Mr Gianni Agnelli and Mr De Benedetti wanted to buy the Italian subsidiary of the Bank of America (Deutsche Bank eventually made the acquisition), the central bank said no. In its detailed set of criteria, the Bank of Italy is expected to limit minority shareholdings which industrial companies wish to take in banks to around 10 per cent.

The rate of credit expansion in terms of private sector loans jumped by 14 to 15 per cent in the opening months of 1987, against a target of half as much. The Bank of Italy convened the country's biggest 40 banks in a couple of meetings and discovered a widespread phenomenon of round-tripping by big companies.

Put simply, competition among banks for business from the big names in industry has been stiff. Banks have made loan funds available well below the prime rate, which in any case has less meaning than the so-called "Fiat rate" for top clients—interest at one to three points below prime. Big companies have managed to borrow hundreds of millions of dollars worth of funds from banks and have earned spreads by relending the money on the interbank market.

There is no commitment fee in Italy for opening a new credit line, so a big company in Turin or Milan might take a "general purpose" loan at a rate of ten per cent or even 9 ¾ per cent, well below the interbank rate itself. That means that corporate treasurers are abritraging bank loans and earning margins of one point or more.

Mr Nesi says the phenomenon is limited to the biggest 20 or 30 companies and complains that some of these companies are trying to usurp banks as financial intermediaries.

Other issues

Aside from the above issues which Italian bankers are trying to contend with, there is still much heated discussion about how and when exchange controls will be relaxed further.

Legislation which would continue the liberalisation trend is being prepared by the foreign trade ministry, but it may be year-end before the 15 per cent deposit required on foreign investments is finally lifted, and this merely to conform to EEC guidelines.

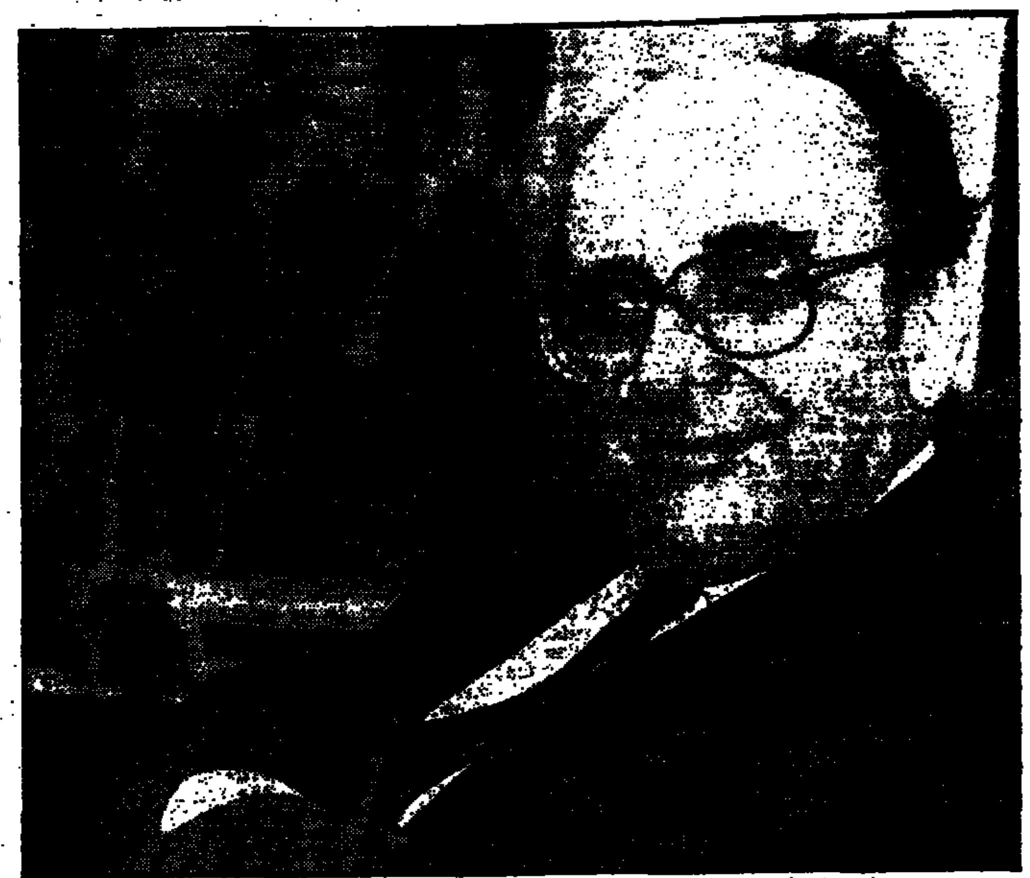
The anachronistic 1976 legislation on the personal export of capital—the infamous "Law 159" which has seen movie stars and bankers imprisoned for having a few thousand dollars in their pocket—has yet to be repealed, although lobbyists are pressing for such action.

The Bank of Italy's still rather stringent control of branch networks is another bone of contention for Italian bankers. The central bank maintains that it is liberalising its rules which in the past have made for rigid control of where banks might open or shut branches. The bankers say the central bank is not moving fast enough.

All of these issues suggest a banking system still in a state of evolution—or transition—from the old comfortable days of state-owned oligopoly to a significantly more varied and competitive market.

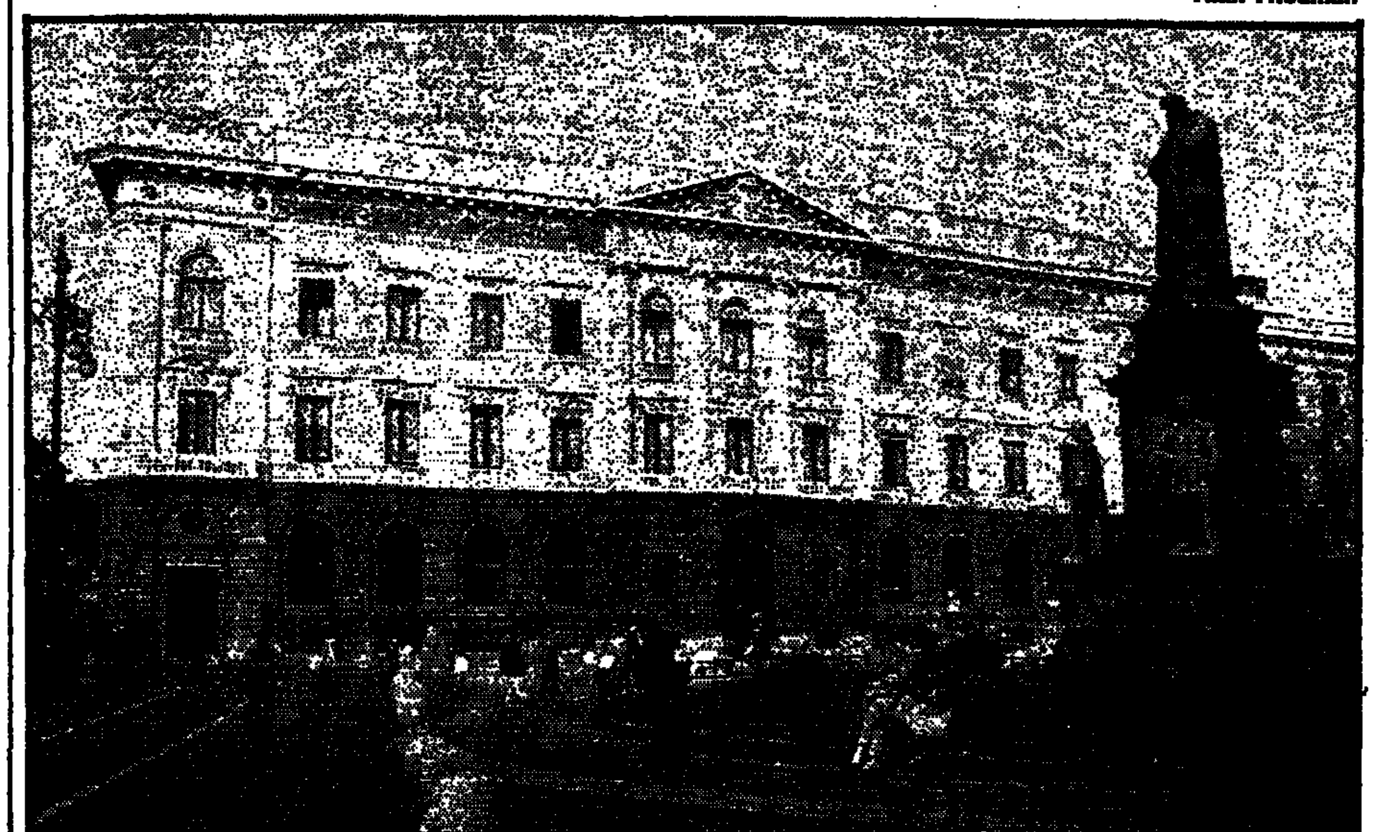
The change has been a long time in coming, but at least in general terms Italian banking is beginning to catch up with its Anglo-Saxon counterparts.

Alan Friedman



Mr Nerio Nesi, chairman of BNL: war raging between his bank and Milan's stockbrokers

Mr Enrico Braggiotti, chief executive of BCI, favours diluting state control below 50 per cent



Banca Commerciale Italiana's headquarters in Milan

Teatro alla Scala

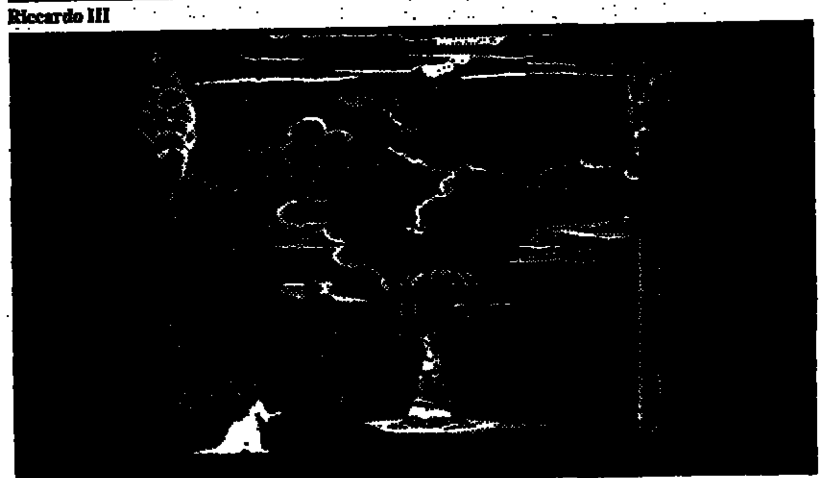
From the Season 1986-87

Nabucco

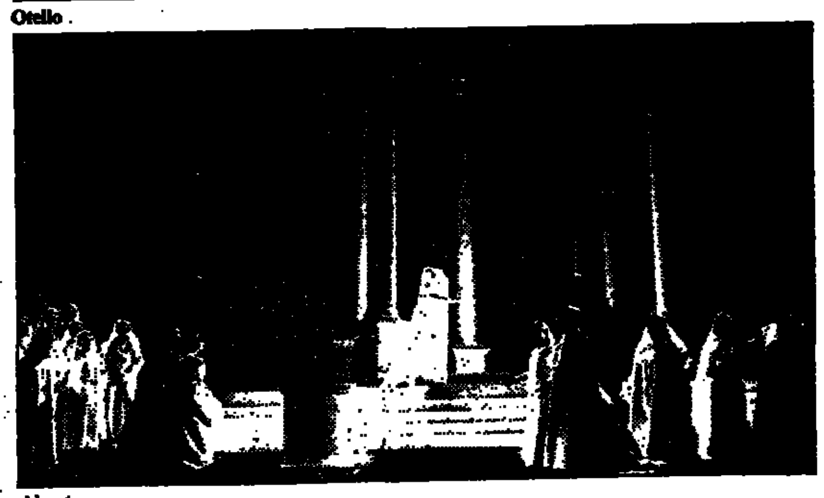
Riccardo III

Otello

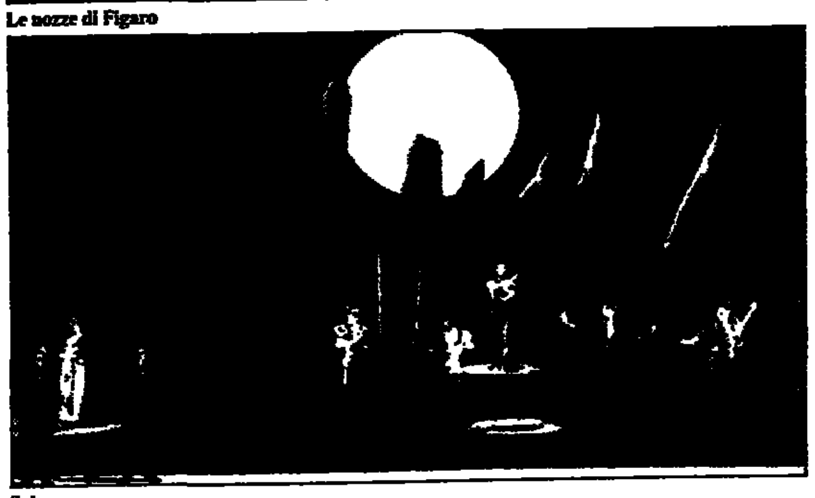
Le nozze di Figaro



Il flauto magico



Alceste



Salome

Madama Butterfly

I Pagliacci

Il tabarro

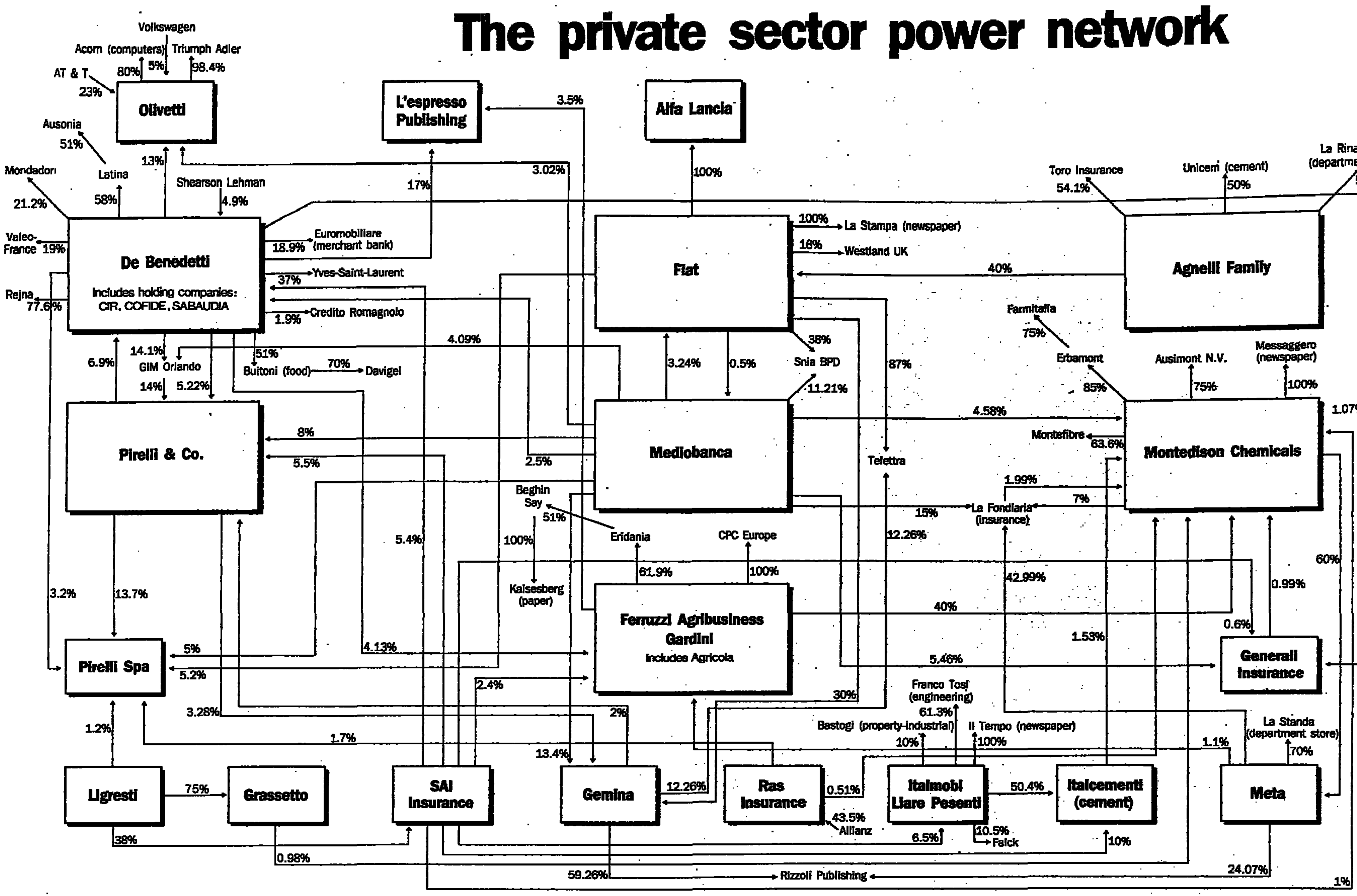
Il figliol prodigo

L'arca di Noè

Don Chisciotte

Foto Lelli & Masotti

The private sector power network



A handful of 'big-name' groups still wield vast control

High-powered families

ITALIAN INDUSTRY may have restructured and recapitalised over the past seven years, companies may be more aggressive abroad than ever before and the country's financial market may be on the road to modernisation, but the large private sector industrial and financial companies are still controlled by a handful of families and individuals. The purpose of this chart is to illustrate, in what is actually a rather simplified version, the network of private sector power.

The Agnelli family, whose most famous shareholding is its 40 per cent stake in Fiat, remains one of the most important centres of power. Last year's takeover of the ailing Alfa Romeo luxury car concern has further strengthened the Agnellis' position in the auto industry, but they have also been picking up more insurance, banking and other financial interests. In addition, Fiat has been acting through Gemina, a holding vehicle in which it has effective control, to increase its publishing (Rizzoli-Corriere della Sera) and other interests.

If Mr Gianni Agnelli is known as "the Lawyer" then the other two stars of Italian capitalism are Mr Carlo De Benedetti ("The Engineer") and Mr Raul Gardini, the man who heads the growing Ferruzzi agro-industrial group and who is known as "the Farmer."

While Mr De Benedetti last year continued to expand his own empire in office automation, car components, foods, financial services, investment banking, publishing and—with Yves Saint Laurent—even fashion, it seems that this year the ambitious Olivetti chairman plans to consolidate his holdings, with perhaps one exception. His interests thus far have been principally in Italy and France (although Olivetti last year acquired Triumph-Adler in West Germany).

It appears that Mr De Benedetti agrees with those European bankers and investors who reckon that the next major growth economy, following Italy, could be Spain. Mr De Benedetti is expected to launch a Madrid version of his CIR holding vehicle in Italy, as he has done with Cerus in France. This would presumably be a prelude to acquisitions in Spanish industrial and financial sectors, or at least would represent a foothold in the market (and a vehicle for fund raising on the growing Madrid stock exchange).

Mr De Benedetti may have represented the new face of Italian capitalism three years ago, but today he is virtually as established as the old Mr Agnelli. The difference is that Mr De Benedetti, and Mr Gardini—who followed in his path—never found it necessary to go cap-in-hand to Italy's so-called "Buoni salotti" or "grand salons" for approval to raise funds or buy companies.

The old oligarchic power structure of Italian capitalism continues to dissolve even if there are relatively few new major protagonists beyond Mr De Benedetti and Mr Gardini. What counts however, is that acquisitions are being made and deals being done on the market and away from the gilded halls of Mediobanca—the old merchant bank which used to serve primarily the interests of the Agnellis, the Pirellis and few other members of the so-called "noble wing" of Italian capitalism.

The expected departure, probably later this year, of the 80-year old Mr Enrico Cuccia, the eminence grise at Mediobanca who designed a spider's web of industrial crossholdings in order to preserve the status-quo, is seen in financial circles as another symbol of the move toward a more pluralistic and modern market.

The appointment as the new Mediobanca chairman of Mr Antonio Maccanico, formerly secretary-general to president Francesco Cossiga, is another symbol of changing times.

Mr Maccanico has a mandate from Professor Romano Prodi, chairman of the IRI state holding group (which controls 56 per cent of Mediobanca shares through its three bank subsidiaries) to resolve outstanding differences between private sector shareholders and the state.

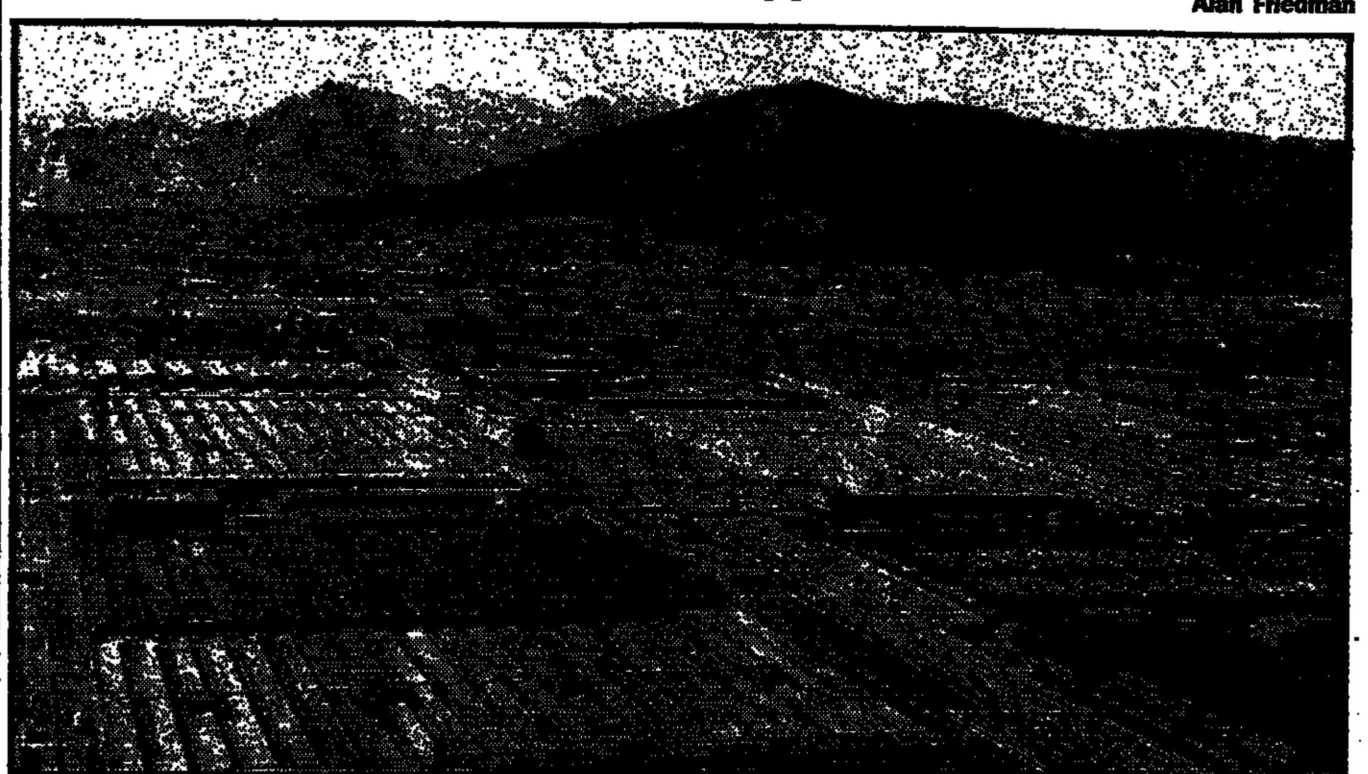
Without a doubt the most striking change in the map of private sector power has come about only since the start of 1987, with the purchase by Mr Raul Gardini's Ferruzzi group of effective control of the Montedison chemicals concern, Italy's second largest private sector company. Mr Gardini has 40 per cent of Montedison ordinary shares, having spent around $1.7bn to acquire them. He bought more than half of his Montedison shareholding on the Milan bourse, a route to company control which would have been unthinkable a few years ago.

At the time of writing, Mr Gardini's plans for Montedison and his overall strategy of creating what he calls "Europe's largest agro-industrial group" through synergies between Ferruzzi ($7bn of turnover) and Montedison ($10bn of turnover) remained a somewhat hazy vision.

The Gardini "blitz" on Montedison, if nothing else, certainly put a halt to the frequent speeches made in favour of "public companies" by Mr Mario Schimberni, the Montedison chairman who is said not to have been thrilled by Ferruzzi's arrival. Mr Schimberni has spent much time in recent years trying to see to it that Montedison shares are widely held and indeed there are some 100,000 shareholders who hold the 60 per cent of the group which Ferruzzi does not own.

Italy, it would seem, is not yet ready for public companies on the Wall Street model.

Alan Friedman



Fiat's Rivalta plant: the Agnelli family has a 40 per cent shareholding in the company

Industrial strategy

Opportunities firmly grasped

ALTHOUGH Italy has a loosely co-ordinated governmental organisation for directing its industrial policy, it does not have a highly formalised planning machinery. Its approach to industrial development, and to the growth of high technology companies, is best looked for elsewhere—in a broad-based consensus view about where the country has come from, where it should be going, and how it should get there.

The consensus, expressed widely in both the state sector and private industry, goes something like this: Italy, it is said, has a relatively small industrial economy when measured against the world leaders. It has virtually no raw materials, has limited human resources, and must live on its wits with what it has.

In the post-war years, it has also been faced with a heavy task of reconstruction and adaption, as the country has accelerated its shift from an agrarian to an industrial economy.

The result of these limitations has been to force the country to concentrate its resources rather than spread them over too wide an area.

Industrialists have had to put constant stress on pragmatism and adaptability. New technology has had to be directed to a considerable degree at areas of traditional strength, relying deeply on the country's long-standing reputation in engineering. In the fast-developing sectors, industry has had to abandon the idea, so prevalent in northern Europe, that it could invent everything at home.

Italy, in other words, has forced itself to open itself to foreign influence, often appropriating ideas from others with the facility which the Japanese have displayed so frequently in the post-war years.

In the older, traditional industries, this approach has led to some strikingly effective adaptations of the country's inherited industrial base. New technology has been applied to several sectors which are widely recognised in Europe as being among the best in the world today.

Italy's textile plants, for example, now tied in with one of Europe's most dynamic fashion businesses, have been extensively modernised in recent years; in precision engineering, the country has pressed ahead with the application of advanced production systems, while Coman, the Fiat factory automation subsidiary, has carved out a place for itself in the US, where it has formed a joint company with General Motors; IRI, the State-owned conglomerate, claims a similar competitive edge in its aerospace, pipe manufacturing and plant construction activities.

Moving away from these established sectors and towards the high technology, electronics-based industries, it is by no means clear how effective the Italian approach to industrial development will be. As yet, Italy has carved out no clear role for itself. But the main elements of its line of attack are becoming increasingly evident. They include:

- A heavy emphasis on a global approach to both markets, and, to a lesser extent, manufacturing. Olivetti, the office equipment group, is perhaps the most obvious example of a company that has followed this prescription, with its aggressive expansion out of its Italian base into both Europe and the US.

This attitude is equally apparent at SGS, the semiconductor manufacturing group, which has built factories in Malaysia, Singapore and the US; and in the cable activities of Pirelli, the tyre manufacturer, which is now expanding fast in the fibre optics field.

Pirelli, indeed, has gone one step further and established research laboratories overseas to be in closer contact with local developments. "We decided to decentralise our laboratories as a matter of policy, because so many new developments occur in different countries," says Mr Gabriele Maschio, chief engineer in the group's cable sector. "The laboratories give us the opportunity to understand the importance of any new development around the world."

- A willingness to seek out alliances and buy in technology through licensing deals in areas where the country might find it difficult to go it alone. Italian executives tend to stress the importance of flexibility in business affairs much more than many other Europeans, and they display very little of the industrial nationalism which is so evident in France and West Germany.

Technological alliances, of course, are becoming increasingly evident throughout the industrialised world, partly because of the high cost of development in the electronics and information systems industries, and partly because of the demand for speed in the introduction of new products. Under this pressure, any way of cutting down on timescale of research and development is welcome.

- A willingness to concentrate on a few areas of activity to draw the best out of limited local resources. One example of this approach is the absence of indigenous Italian manufacturers of large mainframe computers, an area where the French, West Germans and British maintain their efforts to compete with the Americans and the Japanese. Italy has eschewed mainframe manufacturing and put all its effort in this sector into software development.

Another example of this attitude is the telecommunications industry, which in most developed countries is sacrosanct territory, jealously guarded against foreign incursions because of its importance as a technology leader for local industry.

"When we were designing our new digital switch equipment, we did not develop our own semiconductors, and we opted to use external computers and support systems," says Mrs Marisa Bellisario, head of Italtel, Italy's leading telecommunications equipment company.

"This is quite a different approach from other companies elsewhere in Europe which have spent large amounts of money developing every component for their own products."

It is notable, moreover, that Italy has not tried to erect an impregnable ring-fence around Italtel, in the way that many European countries defend their equipment suppliers: the company only has 52 per cent of the domestic switching market, with the rest in the hands of foreign-based groups.

Today, when there are discussions over a link-up between Italtel and Telettra, the Fiat-owned telecommunications transmission equipment concern, it is equally significant that the Italians are not talking about this as a defensive alliance. If the deal comes off, the partners will try to tie the combined group to a new international consortium which would help the joint organisation to achieve better economies of scale.

The Italian state is also helping development through the big state conglomerates which make funds available to both old and new industries. Because they have a somewhat different status than nationalised companies in northern Europe, with an allowance for private shareholders and partnerships, the Italian state companies tend to have a more pragmatic attitude to where they should put their money.

They are also able to plan for the longer term with little fear that their projects will be second-guessed by politicians.

Hence in electronics, IRI, for example, is developing a plan to spin off new technology companies from its present cluster of holding companies when individuals come up with promising ideas.

How well the Italian approach to high technology will equip the country for the adaptation of its industrial structure over the next few years remains to be seen.

There is no doubt that, like the rest of Europe, it is well behind the US and Japan in many areas; and it is equally clear that, again like its European partners, it could be hampered by the failure to create a unified market in the region.

But it is equally evident that Italy has been catching up fast. Indeed, in the process of doing so it has developed elements of a strategy that might be useful for the rest of Europe to learn as well—a policy of opportunism and openness to the rest of the world which might provide a useful counterbalance to the Government-dominated protectionist inflexibility of high technology investment in other European countries.

Terry Dodsworth

Mrs Marisa Bellisario, head of ITALTEL, Italy's leading telecommunications equipment company

Profile: SGS

Drive for greater size

IN ITS brief, 30-year history, SGS, the Italian semiconductor company, has seen frequent alterations in its shareholding structure. But it may well be on the verge of the biggest and most significant change yet—a merger with the chip manufacturing interests of Thomson of France, the nationalised electronics group.

A combination linking the two groups, which have been in talks for several months, would be indicative of the strategic thinking behind the development of SGS over the past seven years.

In this period, following the arrival of Mr Pasquale Pistorio, the group's irrepressible Sicilian-born American-trained managing director, SGS has changed its character completely. While its headquarters remain in Italy, most of its manufacturing is now done elsewhere in the world.

It has now become an international company, using English as its business tongue, competing virtually everywhere that chips are sold, and convinced that neither Italy nor Europe alone can provide a market on which it can survive.

Mr Pistorio has long argued that to be viable within a market which is inherently as international as semiconductors a company needs to have revenues of about $1bn a year—a target which is constantly moving upwards because of the extraordinary rate of expansion in the industry.

The proposed link with Thomson would leave the combined group a little short of its objective at worldwide sales of around $800m a year, but it would make the goal attainable—easily so, perhaps, once the industry begins to expand again.

SGS's drive for greater size goes hand-in-hand with its aims of being a broadly-based chip manufacturer capable of applying its technology to produce components for a variety of industries.

Several producers have shown that it is possible to be viable at a smaller scale by concentrating resources on quite specific areas—Plessey in the UK, for example, makes a profit by specialising heavily in telecommunication chips—but more general purpose producers find it difficult to achieve profitability at these turnover levels. The combination of heavy research and development cost and continuous investment in new facilities virtually demands large offsetting sales volume.

Many Japanese chip producers have less exposure to these problems than their overseas competitors because they are part of larger groups which can provide significant internal markets. The independent US semiconductor companies, on the other hand, are in a reasonable position to tackle the challenge of scale because of their big domestic market, and because they have invested heavily overseas to gain additional volume.

In structure, SGS lies a little in between the two models of a semiconductor company. It is partly tied into a local market, like the Japanese, because of its position as the leading Italian company, with its shares held by Stet, the state-backed electronics and telecommunicatons group.

At the same time, however, it behaves more like an independent, and certainly has the problem that many American companies face of not having a large enough guaranteed market to keep it out of financial difficulties.

Until recently, indeed, SGS's financial base has been extremely shaky. Througout the 1970s it lost money systematically, and it has had to rely heavily on funding from Stet to keep it afloat.

When Mr Pistorio arrived in 1980, the group had virtually no net worth and little immediate prospect of profitability. Its only significant strength at that time, says executives, was its technology, which had been developed carefully, though with little eye to marketing.

The company was brought back into profits in 1983 and 1984 by following a strategy similar to that employed by the independent American semiconductor manufacturers. Under Mr Pistorio, a former vice president of Motorola in the US, SGS was given much more of a marketing bent. Sales took off, rising at more than the industry's rate of increase, and making a particular impact in the US.

"Beforehand, we used to be frustrated because we thought that our range of power semiconductors was as good as any in the world, yet they did not sell very well," says an SGS executive. "But once we began to sell the products correctly, they began to make an impact."

As revenues went up, costs were also being tackled. Mr Pistorio shook out what he considered to be surplus labour, reducing the workforce from 8,800 to 7,000 in his first 18 months with the company.

At the same time, he began to shift the more labour intensive parts of manufacturing out of Italy to cheaper labour areas such as Malta, Malaysia and Singapore, with the result that production in Italy, France and Britain, which accounted for about 80 per cent of SGS's manufcturing in 1980, has now dropped to around 5 per cent.

The third element in Mr Pistorio's strategy has been continuing large-scale investment in new products. SGS spends more than the average of world semiconductor manufacturers on research and development, devoting between 10 and 16 per cent of sales per year over the last five years to this area.

This summer it will bring on stream a large new L150bn laboratory at its headquarters in Agrate near Milan, which will be devoted to VLSI (very large scale integration) technology—the method of pushing greater densities of functions onto smaller and smaller slivers of silicon.

Half the cost of this programme will be borne by State funds, and the State is also likely to back another planned L150bn laboratory which SGS is now planning in co-operation with the University of Catania in Sicily.

Accompanied by heavy investment in plant as well—the company has spent an average of 10 per cent of sales on new facilities and equipment over the last five years—SGS believes that its aggressive research programme has kept it within range of the leaders in the world industry in its field. Mr Pistorio concedes that the Japanese are probably "about two years ahead of anyone in general semiconductor technology," but SGS has chosen not to compete with the Japanese head on in random access memory chips, the main area of Japanese strength.

Instead, the Italian company has concentrated on microprocessors (chips which "think"), "discrete" devices which are not so susceptible to variations in demand, and power semiconductors which can be used in environments which manipulate high levels of power.

In the last field, SGS claims to have achieved a significant position in the world market, which is now advancing fast, particularly in the automotive field.

In the memory field, the big volume sector of the semiconductor market, and generally regarded as the most important technology driver because of the constant process of miniaturisation which is required by the industry, SGS has concentrated on the specialised area of ROM (read-only memory) products.

Unlike random access memories, these chips retain the instructions that have been programmed into them when the power is switched off. This makes them ideal for applications such as televisions, where they memorise the switching process for different programmes, or the motor car, where they can be told how to control various engine functions.

SGS and Thomson have already agreed on a joint $400m research programme in this form of memory technology under the umbrella of the EEC's Eureka research programme, with the aim of producing a four megabit chip.

The company's Achilles heel as it pushes forward with these ambitious growth plans lies in its finances. In loss again after its brief return to profitability in 1983 and 1984 (SGS's deficit virtually doubled in 1986 to around $50m), the group remains heavily dependent on equity infusions from its parent company, and operates with higher level of debt—its borrowings at the end of 1985 stood at 128 per cent of equity—than is comfortable.

A combination with Thomson could well be important in this context. Thomson's semiconductor activities are also running in the red at present, and equally need higher volumes to support their investment. Both companies have moved onto a larger world stage than they occupied five years ago, and each has products which could give it a role to play in the global industry. But to achieve the virtuous circle of self-generated and self-financed expansion, they both need each other.

Terry Dodsworth

Leading creators of cars, office machines and industrial products

Grey days make bright design

ITALIAN DESIGN has won international recognition over recent years. Fashion houses such as Armani, Biagiotti, Ferragamo and Krizia challenge and, according to some commentators, outrank their French competitors.

Success is far from being limited to ephemeral fashion objects of clothing. Italian industrial design has also achieved worldwide standing. It is based on two centres, Milan where industrial items, furniture and interior decoration find form on designers' drawing boards and Turin where the stlying houses of Ital Design, Pininfarina and Bertone create the lines of tomorrow's motor cars.

In the world of automobile design Giorgio Giugiaro has been a major figure for nearly two decades. Not yet 50, his fertile mind has created a crop of successes for manufacturers both in Italy and abroad.

As well as the Volkswagen Golf, of which about 7m have been made, Mr Giugiaro designed the Passat, Scirocco, Audi 80, Ibiza and Malaga and, more recently, the European Award-winning Fiat Uno and the Panda.

In all Mr Giugiaro has designed over 50 cars in the past 20 years and more than 30 have entered production. He says that Italian industry understands that it is not enough to make functional products, and that style and taste are essential *ingredients.*

"Even small manufacturers recognise that everything which is part of our lives, whether an ashtray, a table, shoes or the colour of clothes must be seen and treated seriously. Design is an essential factor in creating an object" he explained.

For Mr Giugiaro it is logical that design activity should be concentrated in northern Italy. "Of course there is creativity in Rome. But manufacturing is concentrated in Lombardy and Piedmont, and it is the effervescence of industry which stimulates design. The northern climate, with dull, grey days, also encourages thought, study and work," he said.

He was born in the province of Cuneo, to the south of the Piedmont capital where he has always worked. As a 17-year-old he joined Fiat's design operation, Centro Stile Fiat.

He was with Fiat for four years before taking a decisive career step. In 1959 Mr Giugiaro

Rodolfo Bonetto designs car interiors for Fiat and Ferrari

moved to the Turin body styling house Bertone, where he remained until 1965. "I got to know the automobile world at Fiat. But I also became aware that for personal satisfaction I had to move to a smaller operation, to have the freedom to develop my own ideas and to test their validity. The move to Bertone gave me the possibility of having freedom to express myself."

After an interlude with Carrozzeria Ghia, Mr Giugiaro established Ital Design in 1968, with two colleagues, one of whom, Aldo Mantovani, still heads the firm's development and engineering activity.

Italy's leader in automobile design expects the current emphasis on functionality and rationality to continue. He drew attention to the fashion for low-*slung sports cars, which he* described as an uncomfortable idiocy. "It is a struggle to raise car height, but I am trying. Like the London taxi, cars should be easy to get into and out of," he said.

The motor car was also the medium for Mr Rodolfo Bonetto's early design work, not just at Vignale and lesser-known stylists Boneschi and Viotti, but also at world-renowned Pininfarina. His first major assignment for Turin giant Fiat was the interior for the 131 Super Mirafiori in 1977. Since then he has designed the interiors of the Ritmo Super, the Regata and the Autobianchi Y10.

But while the motor car continues to be a significant part of Mr Bonetto's work, he is certainly not a member of the Turin school of body stylists. Milanese through-and-through, Mr Bonetto's sphere of activity extends into instrumentation, electronic and electrical equipment, brown and white goods and it has brought his work into the sight of millions. His Veglia Borletti instruments are fitted in Fiat's volume production motor cars as well as the dashboards of luxury Ferraris. *Clients for whom he has* designed televisions, radios and hi-fi equipment include Autovox, Voxson, and Telefunken. He has also worked for the Japanese companies Pioneer and Hitachi.

In both brown goods and white goods, Rodolfo Bonetto has been a leading exponent of creating products with a human touch. His designs for large domestic appliances have been commissioned by Zoppas and Candy.

There is a significant international factor at Studio Bonetto. Nine of his staff are foreigners and only one is Ita*lian. This is* partly due to the large demand for young foreign designers, eager to work with and learn from one of the key figures in Italian design. But Mr Bonetto also recognises the validity of the education which is offered by schools outside Italy. Indeed between 1961 and 1965 he lectured in product design at the prestigious Hochschule fur Gestaltung in Ulm.

Notwithstanding his international connections, he believes that design is the manifestation of national culture. He disagrees with the concept of an international approach to design or styling. When Mr Bonetto started he considered design as a way of giving beauty to an object's form. Now he holds the view that increasing the aesthetic value is not enough, and that utility is a crucial factor.

It is difficult to imagine anything more utilitarian than a machine tool. Mr Bonetto has been designing these for the Olivetti OCN subsidiary for 20 years, and has managed to marry fine aesthetic qualities to the wholly functional nature of the product.

Mr Ettore Sottsass, Olivetti's chief consultant for design for nearly 30 years, was responsible for such innovatve designs as the Editor and Valentine typewriters and for Synthesis office furniture.

Now aged 70 and sometimes known as "the grand old man" of Italian design he believes that *the industrial desolation* caused by the Second World War could help to explain Italian success in the field of industrial design. "Much of Italy's industrialisation occurred after 1945, led by a young and energetic first generation of businessmen," he said.

He sees Italian design as: "a metaphor for a particular lifestyle which is bourgeois, optimistic, happy and possibilistic. This is the vision of Italian design which serves a society which is progressive, democratic and looking towards the future. It never the less makes reference to national traditions of the past."

"The market requires something more than mere function, performance being taken for granted in the items which fill the domestic landscape. Design in its broadest meaning encompasses engineering, the correspondence of product and market and image control." According to Mr Sottsass, the designer works as an interface between markets and their requirements for sellable goods, and engineering. The designer has to take account of fashion, behavioural changes and rapid technological evolution.

A high energy level characterises Mr Sottsass and his work. Seven years ago he established a design studio. Sottsass Associati, with three young architects as his partners. One of them, Aldo Cibic, is still only 32-years-old. "Our studio is based on friendship rather than discipline. Within this compact group we try to find space to develop creativity and personal identity," said Mr Sottsass. He sees his role as maintaining a level of creative tension. "But it is very difficult to ensure that this energetic group feels that it is continually on the edge of an important event."

David Lane

Agriculture

Wine scandal hits revitalised sector

"IS IT SAFE to drink or should it go in the petrol tank?" This rather flippant question was being widely asked at the height of the methanol-wine scandal 12 months ago. Deaths caused by the consumption of wine adulterated with methyl alcohol won extensive media coverage and dealt a serious blow to the image of Italian agriculture.

For despite tough competition, Italian winemakers had been making good progress in export markets during the 1980s. Sales to Britain, for example, rose from 58m litres in 1981 to 79m litres in 1985. Over the same five-year period wine exports from Spain to Britain fell from 95 to 77m litres.

That progress against an arch rival shows the positive side of Italian agriculture. But government ministers and farmers are aware of many other problems ahead. They include worries about further adulteration scandals, trade disputes with the US, and the need for further rationalisation of small farms.

The wine scandal was a major setback to Italian winemakers. Arcangelo Lobianco, chairman of the farmers' organisation Confederazione Nazionale Coltivatori Diretti (Colidiretti), has no doubt about the damage caused. "The methanol case demonstrates how the irresponsibility of some operators can destroy decades of effort for technical and economic progress, in a sector which has the potential to make a positive contribution to the balance of payments and, at the same time, advance the image of Italian-made goods," he said.

Scandals are far from rare in Italian agriculture, and further downstream in the food industry. The methanol case was not an isolated incident. Tomatoes and citrus fruits have, for example, been adulterated in the past.

The managing director of one of Italy's best known olive oil companies believes that "extra virgine" olive oil could be the next focus of attention. "The retail prices of the 'extra virgine' product on the shelves of many shops are absurdly low."

The authorities are deeply concerned that such scandals, which defraud the consumer, the Italian exchequer and taxpayers in other European countries through European abuse of Community intervention mechanisms, do occur. The Minister of Agriculture Filippo Maria Pandolfi emphasised that efforts to eliminate fraud are being increased.

"I believe that we have been able to achieve three important steps over the past two years. First, we have more than tripled the numbers of men and means for checks and suppression. Second, we have reinforced *penal legislation by creating a* new system of sanctions for fraud against the (European) Community. Third, we have mobilised and co-ordinated Italy's various police corps with the aim of stamping out fraud" he said and claimed that significant results have already been obtained.

Production surpluses lie behind some of the frauds. Compensation for the large quantities of unsold and unsaleable citrus fruit and tomatoes, destined for pulping, offer opportunities for illicit gain especially to shady operators in Sicily and other regions in the south of Italy. The wine adulterated with methanol was probably not intended to reach supermarket shelves and the consumer's table-additives to raise alcohol content increase the value of surplus wine bought-in for distillation under EEC regulations.

"At the cost of over-simplification, I would say that the problem is solely that of the market. It is said that the market is today's new master or tyrant. This is true above all for agriculture which is confronted by a structural imbalance between increasing supply and stagnant demand, not just in industrialised countries, the EEC and Italy, but throughout the world," said Mr Pandolfi.

Addressing the Colidiretti's recent general meeting, Mr Lobianco offered a similar analysis of the difficult situation which farmers, and particularly his members, are facing. "The agricultural polices of all western industrialised countries have aimed at reconciling two objectives: protection of productive land and employment, together with maintenance of satisfactory levels of self-sufficiency. From the beginning of the 1980s the world market has been affected by a continuous divergence between the supply of agricultural products and demand. Deficit countries have increased their productive capacities while exporting countries have raised their capacities to supply," he said.

Agriculture Minister Mr Pandolfi described the international situation in the sector as alarming, particularly relations between the European Community and the US. "For the first time in the history of the Common Agricultural Policy the decisions which we will take in Brussels during the negotiations on prices will be closely reflected in relations with third countries, especially the US. Take the example of the tax on vegetable oils, whose announcement in Brussels was interpreted as a declaration of war in Washington."

According to Mr Pandolfi, *balance* and wisdom are needed from both sides. "It is necessary to redraw the world map of agricultural trade from the present time to the end of the century. Developing countries, the new agricultural exports of which are often facing impossible world markets should not be *forgotten." Mr Pandolfi* drew attention to the crucial role of the new round of General Agreement on Tariffs and Trade (Gatt) talks.

For his part Mr Lobianco is wary of the Gatt negotiations. "It seems that there is a tendency to neglect the need to deal correctly between the trade-off between agricultural and industrial protectionism" he said. The Colidiretti's chairman suspects that the trend of the negotiations is to liberalise agricultural trade in order to stimulate an upturn in industrial trade, with no concern for *the structure of* the markets in which his members operate. Mr Lobianco is also worried about reform of the Common Agricultural Policy: "It is necessary to re-examine the range of farmers' rights, by means of a precise redefinition of those who should benefit from price policy," he said.

But the 1980s and the accession of Spain and Portgual have seen significant changes within the EEC itself. This has had a double-edged effect on Italian agriculture, as Mr Pandolfi explained.

"From a structural viewpoint the Cap's centre of gravity has *shifted* to a more natural and realistic position. 'Green' Europe is better balanced between continental and Mediterranean production. But as regards practical results, matters are somewhat different. There is a risk factor for Italian agriculture. Spain offers stiff competition with its aggressive capacity to sell its products on international markets." Mr Pandolfi believes, however, that Italy can show up well in a challenge which it cannot avoid.

Spain was a formidable competitor before its entry to the EEC. This was recognised in the national plan for agriculture (PAN) which Mr Pandolfi presented more than two years ago Even then Spain enjoyed a primary role as a supplier of fresh tomatoes to the EEC and, with production similar to Italy, was exporting 60 per cent of its oranges to northern Europe. Spanish wines, olive oil and peaches are also in direct competition with *Italian* produce.

Mr Pandolfi sees the problem being resolved by reorientating his country's agriculture within the market. "In Italy we are stressing the importance of crop mobility, placing emphasis on quality and acting to check production surpluses" he said.

A total of L16,500bn has been

Continued on page 11

Fewer farm workers

Units in millions

	Employees	Independent	Total
1960	1.75	4.87	6.62
1970	1.24	2.64	3.88
1980	1.09	1.81	2.90
1985	0.86	1.44	2.30

Source: ISTAT/Colidiretti

Small farms sector

Size (hectares)	Italy 1982(a) Farming units Number	%	Total area Hectares	%	EEC 1980 Farming units Number(b)	%
1-5	1,433,680	64.5	3,350,571	14.5	2,645	46.6
5-10	400,790	18.0	2,753,009	12.0	974	17.2
10-20	218,210	9.8	2,973,736	12.9	853	15.0
20-50	116,640	5.2	3,460,818	15.0	854	15.1
G.T. 50	54,650	2.5	10,515,834	45.6	344	6.1
Total G.T. 1	2,223,970	100.0	23,053,968	100.0	5,670	100.0

Note: (a) 1,034,940 small farms L.T.1 hectare with total area of 505,956 hectares
(b) Number of EEC farming units in thousands
Source: Italian census 1982/Eurostat/Colidiretti/FT calculations

Fabrics and clothing

A structure for success

ITALY HAS been Europe's largest producer of clothing, including knitwear, since overtaking West Germany in 1981. Exports totalled an estimated *L12,200bn (£6.3bn) in 1986,* representing 47.5 per cent of turnover, which was up 11.9 per cent at L25,700bn.

The industry's success is based in part on its ready adaptable structure. It is organised into technologically advanced satellite units, closely in touch with customers' needs and in tune with rapidly changing market requirements. In exports—and Italy is the biggest exporter of menswear among industrialised nations—this has meant concentrating on high-quality products in response to competition from developing countries.

Manufacturers have been as aware as the fashion houses of the need to innovate and be flexible.

"Italian ready-to-wear makers understood before others that co-operation between designers and the industry was the key," says Mr Beppe Modenese, a Milan-based public relations consultant who launched the twice-yearly shows which promote fabric producers, ready-to-wear manufacturers and the top fashion designers. He himself has been called "Italy's Prime Minister of fashion."

Mr Armando Branchini, secretary-general of the Italian clothing and knitwear manufacturers' association, points to a change in final demand which has stressed individualism. "People no longer wear the same clothes, all blue or dark grey. To meet the new demands of the market you must have a way of changing manufacturing *day by day.*"

The system of "terzisti," in which specialist companies produce for other entrepreneurs, is therefore invaluable — "with this structure you can find the best manufacturer and this means better quality, better price and, above all, flexibil*ity," explains Mr Branchini.*

It is a system much-used by the Treviso-based Benetton, the sweater and jeans company which is Europe's biggest clothing maker with a turnover last year of L1,060bn.

Italian clothing and knitwear, concentrated in the north and *central regions,* employed 326,000 people in businesses with 20 workers or more last year. But there is great strength in smaller units: between 1971 and 1981 the number of employed (excluding knitwear) rose 28.6 per cent to 327,514 but the total of businesses *leapt 193.5 per cent to 27,945, cutting* the average number of employees from 26 to 11.

Last year Italy exported 6.5 times as much clothing and knitwear as it imported and alone of the big European manufacturers has a large surplus of exports over imports and an increasing ratio.

West Germany, Italy's largest market for the past 40 years, took 28.7 per cent of exports in the first 10 months of 1986, the value rising 18 per cent to L2,859. The next largest markets were France (17.9 per cent), the US (11 per cent) and the UK (6.2 per cent).

The US market has grown from sixth place in 1981. Exports there over the whole of last year fell 8 per cent to an estimated L1,150bn, holding up well considering a 30 per cent fall in the dollar.

The dollar's effect was more noticeable a stage back, in fabrics. Production of woollen fabrics (a mixture of re-processed wool and man-made fibres) fell, according to the Italian Wool Industry Association, to 71,991 tons in the first nine months of 1986, against 81,238 tons in the same period a year earlier. The blow was felt particulary in Prato, a big centre for re-processed wool.

Worsted fabrics, destined for high-quality European markets, suffered a slight downturn in response to the fall in the Australian dollar.

Australian wool is a principal raw material of Italy's highly successful woven fabric producers and the hub of this activity is Biella, between Turin and Milan. Three-quarters of the Biella area's working population is in textiles and the 4 per cent unemployment rate compares with the overall Italian rate of nearly 14 per cent.

A suit made from fabric manufactured by a company such as Lanificio Guabello, at Mongrando near Biella may retail at L1m (£510). The company, currently doubling its production area, was founded in 1815 and employs 146 people in Guabello, which weaves worsted fabric for top-quality menswear, and the Tesse sister company (serving mid-market meanswear).

Their combined turnover last year totalled L30bn, of which cash flow—more relevant than profits because of heavy depreciation—amounted to 13 per cent. Forty per cent of production was exported.

Turnover has risen from L3bn in 1979 when the chairman, Mr Piero Gallo, and financier Mr Giulio Bertrand, acquired the company. "We don't want to be a very big business: we want to produce the best quality," said Mr Gallo.

He does want the best equipment and 7 to 10 per cent of *turnover is invested.* A tour of the plant reveals a computerised control room to monitor the 40 looms, showing for example, that a weft has broken. A 13-strong shift of workers checks the final product.

Guabello exhibits its fabrics at Ideabiella, founded in 1979 to serve foreign buyers of mainly wool fabrics for menswear. The fair's chairman, Mr Sergio Loro-Piana, whose Biella-based family company of that name is one of the world's biggest cashmere weavers, with sales last year of L84bn, points to the co-operative nature of the event.

"The companies had the courage to understand that a group could achieve what no single company could" Ideabiella, which takes place in the sumptuous setting of Villa d'Estate hotel, Como, chose 49 businesses to exhibit last year, with combined L1,300bn turnover, 39 per cent of which was exported. "We aim to put together exhibitors with the same long-term strategies, namely quality of goods, creativity and competitivity and invite only people interested in that strategy," Mr Loro-Piana says.

The same philosophy distinguishes Ideacomo, which promotes silk, cotton and linen fabrics for womenswear and which, like Ideabiella, is organised by Beppe Modenese.

As for the clothing makers, their outlet is Modit which was set up in 1978 by Mr Modenese and takes place at the Milan Fair site. It is the commercial expression of the middle-price fashion market with more than 200 exhibitors.

Leading fashion houses, such as Armani, Krizia, Ferré and Versace, attend but their real forum is Milano Collezioni, also at the Fair, where their collections are viewed by 25 television services and 2,000 buyers, including international department stores.

The clothing industry recognises that it cannot, however, afford complacency and that competitivity must be maintained with industrialised nations.

Mr Branchini says: "There must be technological innovation, internationalisation of manufacturing—which means manufacturing abroad where labour costs are lower—and a more aggressive policy in establishing a solid commercial presence in external markets.

"With that combination we can face up to the challenge," he says.

John Simkins

CLOTHING AND KNITWEAR (bn lire)

	1982	1983	1984	1985	1986 (estimated)	% change 1985-86
Turnover*	16,300	17,400	20,570	22,960	25,700	+11.9
Exports	6,216	7,129	8,690	10,348	12,200	+17.9
Imports	960	997	1,184	1,506	1,860	+23.5
Commercial balance	5,256	6,132	7,506	8,842	10,340	+16.9
Final internal demand	19,900	20,300	23,500	25,420	27,650	+ 8.8
Total employed*†	356	347	336	332	326	− 1.8
Exports to turnover (%)	38.1	41.0	42.2	45.1	47.5	
Exports to imports (%)	647.5	715.0	734.0	687.1	656.9	
Imports to domestic demand %	8.7	8.8	9.1	10.7	12.1	
Turnover per employee (current value)‡	45.8	50.2	61.2	69.2	78.8	+13.9

*Business with at least 20 employees.
†Thousands.
‡Million lire.
Source: Italian Clothing and Knitwear Manufacturers' Association

Reviving farming

Continued from Page 10

voted to finance the PAN. Mr Pandolfi said that the State does not wish to subsidise agriculture firms, but to improve general conditions so that firms can survive and be profitable. "We have identified factors on which the funds will be spent. These include research, genetic improvement, mechanisation, quality assurance, land reform, commercial promotion and the dissemination of agricultural information" he said.

In his address to the Coldiretti, Mr Lobianco expressed the thanks of his members to Mr Pandolfi for the enactment of the PAN. However, the confederation of self-employed farmers also has its own plans for tackling the problems which the agricultural sector faces. The Colidiretti recognise the significant contractual power which is enjoyed by agro-industries and the large chains of food retailers so farmers will be seeking to diversify downstream.

Italy's agricultural sector is trying to deal with the realities posed by the markets of the late 1980s, but it is still hampered by severe historical constraints. The small size of farming unit is a serious handicap to achieving greater efficiency. "Land reform is a difficult question. We aim to allocate more resources to finance the physical enlargement of farms. Other countries have aimed for change by modifying their civil codes, but this approach is not practicable in Italy" said Mr Pandolfi.

Linked to the problem of small farming units is that of a large agricultural workforce. In 1985 the sector offered work to 2.3m people, which was about one tenth of Italy's working population. That is a marked change from 1951 when more than one third of the working population in the centre and north of the country and more than half in the south worked in agriculture.

As Mr Lobianco remarked: "National agricultural producers have become a strong business group over a span of 30 years, increasing production by more than 50 per cent while cutting 3m jobs." He expects there will be a further significant reduction in Italy's agricultural workforce during the years to the end of the century.

David Lane

Why this southern region's prosperity lags behind the rest of Italy

Calabria's eternal problems

IT IS a rare experience in Western Europe to visit a country or region with severe political, economic and social problems and to find an almost universal pessimism about the prospects for improvement.

When the region is Calabria at the very toe of Italy, the oddity is all the greater for the cheerful resignation with which this general doubt is expressed.

Life in this mountainous, beautiful but frequently sullied part of the country is much better than it was 30 years ago. Motorway links to the north have been built and a greatly improved internal road system established. Hospitals and schools have been put up and incomes raised through government and EEC transfers to local government and agriculture.

Nevertheless, without transformations in the region's culture and economic structure, Calabria risks falling further and further behind the rest of Italy.

Although in broad terms the Mezzogiorno is still seriously lagging behind northern Italy in wealth and employment (the per capita product is now only 60.4 per cent of the centre-north compared with 62.5 per cent in 1975), general statistics mask the fact that there is a southern problem within the southern problem. Regions such as the Molise, the Abruzzo and Puglia, close to the prosperous markets of the centre and north of the country are making up ground. In terms of industrialisation, infrastructure, per capita income they are beginning to approximate to the economy of the north.

Even the regions to the south display an uneven pattern of development. Basilicata, for example, has made important strides in industrialisation and job creation in the past 10 years and even Sicily has pockets of growth which offer grounds for hope that it will not be left standing in the post-industrial era.

"In Calabria, however, we seem to be in a post-industrial phase without ever having had the industrial one," says Mr Raffaele Salvino, the representative at Cosenza of Iasm, the government agency for aiding small and medium-sized business in the south.

Consider some of the statistics. Only 9.5 per cent of Calabria's population of 2m is employed in industry, compared with 16.2 per cent in the Mezzogiorno as a whole, 25 per cent in Italy and 28.6 per cent in the centre-north. More than 44 per cent of industrial employees work for companies employing fewer than 10 people (28.2 per cent in the Mezzogiorno) and industry accounts for only 12.1 of value added compared with 19.2 per cent in the Mezzogiorno, 31 per cent in Italy and 34.8 per cent in the centre-north.

GDP and employment

Distribution of gross domestic product and employment in Calabria, the Mezzogiorno and the Centre-North in 1984

	% GDP Cal	% GDP MzG	% GDP C/N	% Employment Cal	% Employment MzG	% Employment C/N
Agriculture	9.2	10.1	4.4	24.2	20.3	7.8
Industry	11.8	18.5	32.8	9.8	16.7	29.3
Construction	12.6	10.4	6.1	14.7	10.8	6.6
Services	66.4	61.0	56.7	51.3	52.2	56.3

Source: Studi Svimez, Jan-Feb 1986

A peasant in Avellino in southern Italy

Although 24 per cent of employment is in agriculture and 14.7 per cent in construction, more than half, 51.3 per cent, is in services; namely, the struggling tourist industry, handicapped by a short season and uncompetitive prices, retailing and, in much greater numbers, regional and local government.

Calabria's 16.6 per cent rate of unemployment is second in Italy only to that of Sardinia and is heavily concentrated in the 14-29-year-old age group.

Consider also some aspects of the quality of life. Daily existence in the area around Reggio Calabria is punctuated by the sound of gunfire as rival clans within the local Mafia fight out their bloody feuds at the rate of 80-90 murders a year. The health service does not lack for doctors or hospital beds, but its quality is frighteningly bad and those that can afford it go north for treatment for everything other than routine illness.

The average waiting time for a telephone installation in the region's three provincial capitals, Cosenza, Catanzaro and Reggio Calabria is 12 months and for a telex 14.9 months. These waiting times compare with 3.4 and 7.3 months for the Mezzogiorno as a whole.

This is an extraordinarily bizarre state of affairs in a country whose industrial and technological vitality is propelling it towards the fifth position in the western world's economic league. Calabria, however, is vivid testimony to the way in which the Italian peninsula's differing histories and cultures still contribute towards contrasting patterns of development.

But sorting out the key variables is by no means easy. Vincenzo Gatto, a courteous chunky entrepreneur with a steely gaze, is apparently successfully building a terracotta tile manufacturing business, not far from Catanzaro. He puts some of the blame for the region's current plight on the Calabrian mentality which, he says, has been fashioned by the centuries of occupation by the Spanish Bourbons, the French and, more recently, the Piedmontese.

"We regard the state as a distant power and our attitudes have prevented us from creating regional and communal governments capable of making public administration work," he adds.

Alien government, attitudes which are not so much anti-social as asocial, very poor public administration and a political class which is at best ineffective and at worst corrupt are seen by many Calabrese who think about their problems as both an explanation for current difficulties and an obstacles to their resolution.

They are more disposed to blame themselves rather than others, although central government was misguided in the way it attempted initially to build an industrial base in Calabria and, until recently, both state and privately-owned companies to the north were also negligent in excluding the region from their investment plans.

The grandiose development programmes of the early 1970s, aiming at creating 25,000 new jobs, earmarked textiles, chemicals and steel plants for Calabria—the primary victims of the post-1973 recession. The giant steelworks at Goia Tauro was never built, although the absurdly—giant, now redundant port scheme was. Little was done in the chemicals front and the couple of factories earmarked for textiles have never opened.

Calabria is rich in such examples of initiatives either misconceived, misapplied or frustrated by Calabrese traditions. Mr Gaetano Nola, one of the region's handful of successful agricultural entrepreneurs, cites a frozen meat storage facility which will never run at full capacity because it is far too big and a state-owned olive oil refinery which nobody uses because farmers cannot add a fraudulent percentage to their incomes as they can with the help of private refiners.

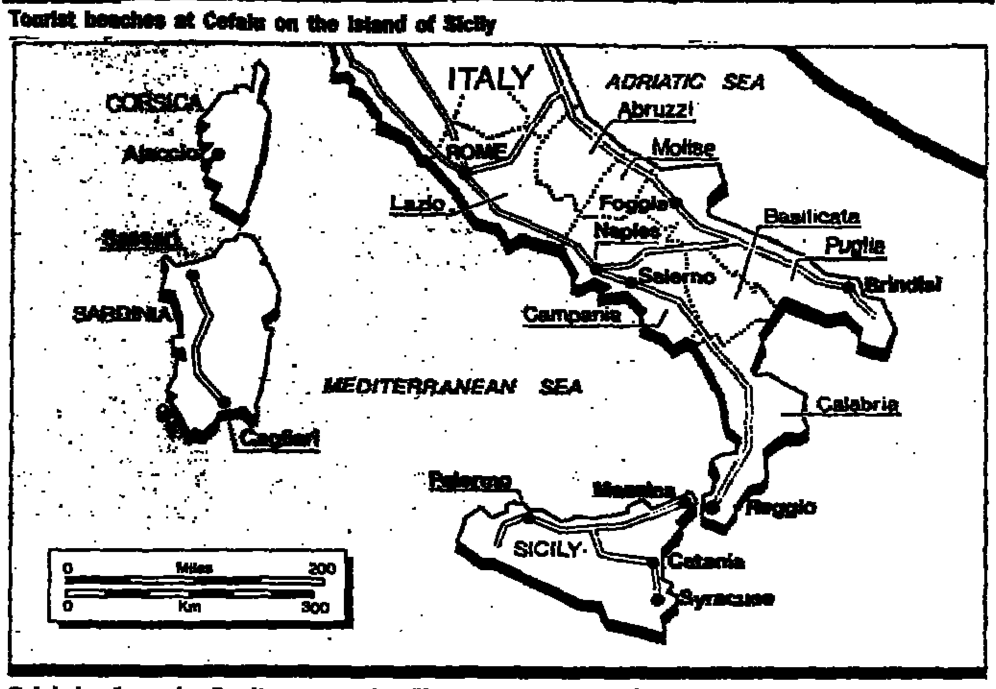
Mr Nola insists that the Calabrese are not "genetically different," as indeed they are not. But many of them share, to an advanced degree, the Southern taste for subordinating public good to illegal private gain. Even when politicians or public officials are not acting illegally, their primary impulse is to exploit their privileged access to funds or employment to create a dependent network of clientela.

This absence of a strong public interest ethic is bringing the region more and more unfavourable publicity which, needless to say, tends to discourage any potential private investor. Even a native Calabrese like Mr Gatto says that he will close his factory and move out if the local mafia start to impose their customary demands for payment in return for "protection."

A system in which loyalties derive from family and close friends and which rewards the provision of personal services is obviously fertile ground for organised crime and political corruption.

In the past month, three special commissioners have been put in to run Calabria's largest bank, the Cassa di Risparmio di Calabria e Lucania after its non-performing debts had reached an insupportable level. The suspicion that the bank had longstanding links with dubious businesses—although not all linked to organised crime—was strenghened when magistrates ordered the arrest of all 11 members of its board of directors in connection with the provision of huge loans to a failed citrus fruit company.

Tourist beaches at Cefalu on the island of Sicily



At the same time, many of the region's politicians are under special investigation for links with organised crime and four Christian Democrats from the Locri area have actually been arrested.

According to Professor Piero Fantozzi, who heads the sociology department at the University of Calabria, the deterioration of political behaviour has been most marked during the past 15 years. "You cannot win a majority without building up a clientela, the parties do not in any sense aggregate popular demands and there is no room for political ideals," he says.

The University, unusual in Italy because it selects students on the basis of merit rather than allowing open entry, is obviously one of the region's potentially modernising forces.

What is needed, however, is some external authority which links the potential forces of development within a coherent planning approach. Mr Nola, for example, talks of the need to develop a marketing organisation which could, and would, strengthen the sales capacity of the region's farmers. The regional government, established in the early 1970s, has shown itself quite unable to be such a catalyst and cannot even develop a sufficient number of projects to absorb government allocations.

In the absence of political initiative, very few Calabrese have the drive, imagination or education of a Miss Mary Cefaly who has built the family farm she inherited 24 years ago on the Plain of Maida, into an advanced producer of citrus and olive oil.

An extremely alert and intelligent woman, she has travelled Europe in her bid to import new and advanced farming methods and has organised local grapefruit producers to such formidable effect that her co-operatives have a marketing agreement with the Israeli Citrus Marketing Board.

Professor Fantozzi does not believe in the possibility of short-term solutions but he does think that the products of his university, if they can find employment, will gradually change the culture. Mr Marco Cozza, president of the local association of industrialists, argues the case for joint ventures with northern companies as a means of altering the climate and importing professional entrepreneurial standards. But for the short-term, he, too, is hard pressed to find any silver linings.

"However, I am convinced that the next generation will pull it off," he says.

John Wyles

Environmental issues

Growing political prominence

ITALY'S environment activists were notably absent from February's Rome conference on the country's energy policy, in protest at what they claimed was a platform loaded in favour of the nuclear option. Their silence was resounding because they have found their voice on a range of ecological issues.

The Government crisis of the past two months has involved political jockeying over whether the nuclear referenda, intended for June, should be held and this has helped to *make the environment a prominent* issue. There is growing "green" concern about the quality of Italy's water and air and urban pollution caused by bad planning and traffic.

The movement, however, has attracted the title the "green archipelago," lacking a national character and party. Among the four largest environment groups—World Wildlife Fund, Italia Nostra, Friends of the Earth and Lega Ambiente—there is a strong belief that there should not be a political party.

"If we form a party we'll take perhaps 5-6 per cent and be just another little party," says Mrs Anna Radiconcini, who is on the executive of the Rome-based Friends of the Earth.

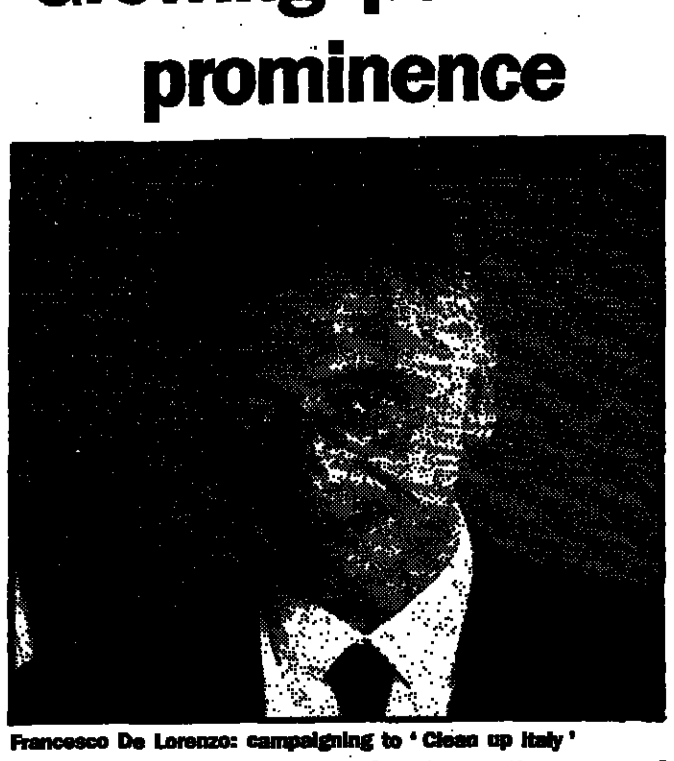
She fears that a party would alienate one faction or another. "The green movement is rich in left and right and *should keep* both." The time to express itself nationally, she believes, is when a single issue arises which can attract majority support in the country.

She cites hunting: opinion polls showed 60 per cent of Italians in favour of stricter controls and easily enough support was obtained to demand a referendum which, however, has been ruled out by the *Constitutional Court*.

The natural political beneficiaries of the green movement are the far-left Democrazia Proletaria and the small Radical party, which included environment issues among its 1970s referenda campaigns. But the balance of power depends on shifts of a few percentage points in electoral backing and the big parties are increasingly alive to the potential in the green vote.

It is indeed likely that calls by Mr Bettino Craxi for the nuclear referenda to go ahead will benefit his Socialists at the next election.

"At some stage parties will have to come to terms with this public movement and support will go for the party which proves it is capable of protecting the environment," says Mr Robert Lasagna, a vice-president of World Wildlife Fund Italia, the biggest environment group with 160,000 adult and youth members.



Francesco De Lorenzo: campaigning to 'Clean up Italy'

As he acknowledges, greens will probably stand at the next general election as individuals and might enter the 630-seat Chamber, the lower house, for the first time. But Mr Lasagna estimates only half a dozen would be returned: outside the big cities the movement is too disjointed.

Calls for a green party come from within the "liste verdi," or candidates' lists, which sprang from the 1985 local elections when the greens took 2 per cent of the overall vote and elected 110 councillors.

To the irritation of the environment groups, the lists did not disband and instead began to resemble the nucleus of a party. At present, the flavour is distinctly local and each *area has its own objectives.*

At Pisa, for example, where there is one green councillor among about 40, greens are campaigning to close the town centre to traffic, to upgrade the urban waste incinerator and cut emission from a glass manufacturing plant.

Greens are particularly evident in the universities and may be veterans of the extra-parliamentary groups which thrived a decade ago. Their targets are the "comuni," or municipalities, which have considerable executive powers and a record of blocking government action.

This capacity, and the inadequate provision of sewerage, tips and incinerators in much of Italy, preoccupies Mr Francesco De Lorenzo who, as Environment Minister, in the Craxi government has headed *the drive to "clean up Italy."*

The ministry was until recently without portfolio and, although it now has funds and offices, its critics claim that it cuts across the functions of established ministries and lacks political clout.

"It is a head without a body," said Mr Antonio Iannello, secretary general of Italia Nostra, which was founded in 1955 and is the oldest environment group. "The new ministry masks its lack of initiatives with mere statements of principle."

Mr De Lorenzo retorts that the greens must bow down before the facts. "Previously, there were laws, in principle, governing protection of water supplies and the tipping of waste within defined limits but they remained undertakings on paper because municipalities were not given the funds to do the work," he observes.

Along with the funds, Mr De Lorenzo is forcing the municipalities to act by compelling the regions, their bureaucratic overlords, to intervene if deadlines for projects are not met.

A special force of "ecological" carabinieri has been empowered to intervene wherever pollution controls are not observed. Provision is being made for two marine reserves, at Ustica in Sicily and Miramare Trieste in the north-east. Mr De Lorenzo, a Liberal within the five-party coalition, also aims to set up seven national parks, equivalent to 10 per cent of the country.

The efforts of Mr De Lorenzo, a former doctor with experience in environmental toxicology in the US, reflect the Italians' wide-ranging concern. Industry is thoroughly alive to their anxiety: Federchimica, the national federation representing 1,000 chemical companies, recently issued guidelines on safeguards against pollution.

The largest chemical group, Montedison, has been under pressure from greens to halt tipping, in the Adriatic, of phosphogypsum waste from its Agrimont fertilisers subsidiary at Porto Marghera, near Venice. Montedison says the waste *is* not damaging marine life, but Mr De Lorenzo at first intended not to extend the tipping permit.

Pleas from unions, which said that 1,000 jobs were at risk, persuaded him to direct Montedison to find an alternative tip site. One has been found 5 km away from Porto Marghera and if it is not completed by September 30 1988 within strict deadlines at every stage, Agrimont faces a shutdown.

Mr De Lorenzo says: "I am convinced our sea (the Adriatic) is different from the oceans and we must not tip anything in it—even phosphogypsum."

There are also hopes of adapting the waste into material for building roads which, in turn, would cut down on quarrying.

"That is an example of how you can have an environment policy that doesn't clash with production," says Mr De Lorenzo.

But neat solutions such as this do not impress Italians who have often seen good intentions blunted by maladministration and problems left until they have become almost insuperable.

This is virtually the situation at Rome where smog has forced city authorities to tackle the appalling traffic congestion. On February 16, the five-party council closed part of the historic centre to private traffic from 7 am to 10.30 am in the first stage of an experiment that will last at least until the end of June.

John Simkins

Energy supplies

Serious problems looming

ITALY APPEARS set to face an energy crisis within the next decade. A clear warning of grave difficulties just over the time horizon was given by Franco Viezzoli, chairman of state electricity corporation Enel, *when he addressed the* national energy conference in Rome at the end of February.

"There is a large risk that operating margins which our electricity system currently *enjoys* will be progressively eroded so that during the 1990s it will not be possible to guarantee the full continuity of the electricity service," said Mr Viezzoli.

Electricity penetration is expected to increase from 31 per cent of total energy demand in 1985 to about 40 per cent in the year 2000. According to Enel's forecast, total electricity demand at the end of the century could be as high as 345THW (terawatt hours), compared to 196TWH in 1985 and 200TWH last year. On Enel's calculations, even in the case of low growth, total demand will nevertheless be 315TWH.

The national atomic energy authority Enea expects electricity demand to be somewhat lower than that projected by Enel. Enea forecasts a toal demand of 300TWH in the year 2000. None of the papers or presentations by national and international energy experts during the three days of the Rome conference estimated demand of less than 250TWH at the end of the century.

In his summary of the conference, the industry minister, Valerio Zanone, underlined expectations that if new generating plant is not constructed, then the country will start to suffer from a deficit in electricity generating capacity in 1995. By the year 2000 this gap could be as large as 10,000MW.

However, according to a senior official at the ministry of industry, a gap already exists, and *Italy's high level of dependence* on imported electricity provides the evidence. "At present it is not a shortfall in generating capacity, but a big difference in production costs" explained the official. In 1985 Italy bought 24TWH (net) from neighbours, mainly France, thereby satisfying 12 per cent of total demand. This level of dependence is a source of concern to the ministry, which is *opposed to such large scale* buying from abroad.

Officials at Enel also admit that imports, even from European Community countries such as France, carry an element of risk. While imports offer substantial benefits on direct costs, they introduce unwelcome dependency. The question has been asked as to what might happen if unforeseen safety requirements were to necessi*tate the shutdown* of French nuclear power stations.

Failure to construct new generating plant and to diversify energy sources underline the incipient energy crisis. But with crude oil, natural gas and coal prices having slumped during the past 18 months, Italy's authorities are faced with a hard task of convincing the man-in-the-street that problems exist and that action is needed.

"*Nobody* wants any type of power station in their neighbourhood. Difficulties are not confined to siting nuclear and coal-fired plant. Even plans to construct oil-fired, hydro and gas turbine stations are fiercely contested" said the senior official. The reasons for opposition are straightforward. While construction provides jobs, often they go to outsiders. The work itself upsets local environmental and economic equilibriums. Power stations provide little by way of permanent employment when onstream. Moreover, they damage landscapes and create centres of potential risk.

Security and the environment were *the key issues under discussion* at the national energy conference. The conference was the direct result of last year's incident at the Chernobyl nuclear plant. At the beginning of June, the Italian parliament passed a resolution requiring the government to call an energy conference to evaluate the compatibility of the objectives laid down in the revised national energy plan with the safety of the population and care for the environment.

Refinery in Pavia: Italy is over-dependent on oil

There was some disappointment in official circles that the event was ostracised by "green" pressure groups. "Energy matters have always been kept separate from party politics. Both the original plan in 1981 and 1985's revised version, and the post-Chernobyl parliamentary motion enjoyed consensus across the political spectrum. Energy is too important to be a party matter," remarked the ministry official.

By refusing to put their cases to the conference, the "green" groups felt able to condemn the event as a rubber stamp for a pro-nuclear policy. However, the terms of reference of the conference did not give it the role of rubber stamp. Its objective was to provide a platform for expert knowledge and thereby supply the Italian parliament with an authoritative basis for its decisions in energy policy. A count by the *ministry official suggests that* approximately one-quarter of the conference's participants expressed opinions which were anti-nuclear or, at least, neutral on the nuclear issue.

But the overwhelming view favoured commitment to nuclear power. "Choices cannot be decided by referenda, neither can they be continually deferred, nor made differently from those in other industrialised *countries" said Luigi Lucchini,* chairman of the industrialists' confederation, Confindustria. He warned, "Development, progress and wealth can only be guaranteed by the availability of energy at conditions and costs in line with those of competitor countries. From this point of view, the Italian situation is extremely precarious."

Confindustria gives clear-cut support to the nuclear option, wanting immediate and full implementation of the revised plan and its proposals for atomic power stations. Mr Lucchini told the conference that a refusal to proceed with nuclear power would be a negation of technical and scientific progress. The chairman of Italy's industrialists' association sees nuclear power as providing security in supply and certainty on price, at a lower environmental cost.

Romano Prodi, chairman of the state holding corporation IRI, also gave wholehearted support to nuclear power. He emphasised that other industrialised countries will not close existing stations or stop building new ones. Mr Prodi rejected the idea that it is possible to leapfrog the current generation of reactors by investing in research into possible future nuclear options. Such a choice would create the problem of technological discontinuity in engineering and construction, and would isolate Italy from the international community.

It is hardly surprising that the electricity corporation Enel used the conference to beat the drum for nuclear power. Chairman Franco Viezzoli referred to the credibility of Enel as a builder and operator of safe stations. He emphasised the high cost which would be incurred by further delays in implementing the nuclear part of the national energy plan. Enel estimates that for every 1000MW of nuclear plant which is not constructed there is an additional cost of L150bn per year if the substitute fuel is coal, a figure which is multiplied by a *factor* of between 2 and 3 if the alternative is fuel oil or natural gas.

However, the current situation amounts to a moratorium. Italy's sole modern nuclear station is the 882MW BWR (boiling water reactor) plant at Caorso on the River Po about 50 miles south of Milan. This started commercial operation in 1981, but has been out of service for checks since last autumn. Italy has only two other nuclear *stations,* both of them old and small. The 160MW Magnox at Latina entered service in 1965 and is now also shutdown, with the odds firmly against restart. There are question marks against the equally long-serving 270MW PWR at Trino Vercellese.

Only two nuclear plants are under construction. The 2 x 1000MW station at Montalto di *Castro north of Rome is at a* relatively advanced phase. But although equipment orders have been placed for a 2 x 100 MW station at Trino Vercellese, only a small amount of earth-moving has been done. As well as completing Montalto and Trino, Enel wants to push ahead with the further 8000MW of nuclear capacity laid down with the revised plan. However, progress on nuclear power in Italy has come to a halt and will not get under way until the plan is once again updated by parliament.

Franco Reviglio, chairman of state hydrocarbons holding corporation Eni, believes that the Italian energy equation needs to be examined in its entirety. For Mr Reviglio, concentration on the nuclear issue would be a mistake because this source will supply, at the most, not more than 5 per cent of the country's energy requirements. Addressing the national energy conference, he posed the question as to what energy policy should be for the remaining 95 per cent. He proposed significant investment in exploiting indigenous resources of oil and natural gas.

But nuclear's importance goes beyond a simple statistic. The credibility of planning and implementing plans is being put at risk. Both the original and revised plan placed emphasis *on diversification,* which in the foreseeable future means recourse to nuclear power and coal. Renewable sources will not make a significance contribution in the medium term. The failure of solar power to meet expectations led Mr Viezzoli to describe it as being in a state of abondonment.

The International Energy Authority (IEA), whose director Helga Steeg addressed the Rome conference, *is concerned* that Italy should reduce its dependence on oil, which is still nearly 60 per cent, and that it should achieve a better balance of energy supply sources. The IEA recommends the immediate implementation of the revised plan, and in particular the construction of planned coal-fired and nuclear plants.

Timing is a crucial factor and the IEA would like to see the planning horizon for the national plan go to the year 2000 and beyond. Certainly the delays which have occurred so far in turning paper proposals into concrete realities have been *inordinately* lengthy.

David Lane

ELECTRICITY DEMAND

Forecast consumption by year 2000 in million tonnes of oil equivalent (mtoe)

	1985 (actual)	ENEA	ENEL minimum	ENEL maximum
Solids	6.9	19-23	27.6/33.8 36.5/43.6	31.7/37.9 40.6/47.7
Gas	5.2	6-2	4.0	4.0
Oil	16.5	14-22	8.3	11.2
Hydro-geothermal	10.4	12-13	15.0	15.0
Nuclear	1.5	7-10	16.0/9.8 7.1/zero	16.0/9.8 7.1/zero
Imports	5.2	0-6	3.0	3.0
Renewables	—	—	0.1	0.1
Total	45.7	70.0	74.0	81.0
Demand (TWh)	196.0	300.0	315.0	345.0

Energy demand by year 2000

Figures in million tonnes of oil equivalent (mtoe)

	1985 (actual)	ENI	ENEA	ENEL(2) minimum	ENEL(2) maximum
Solids	15.8	34.8	27-31	37.8/44.0 46.8/53.8	41.9/48.1 50.8/57.9
Gas	27.3	38.8	37-42	32.1	32.1
Oil	85.3	88.7	79-90	78.1	85.0
Hydro-geothermal	10.4	(17.0)(s)	12-13	15.0	15.0
Nuclear	1.6	(—)	7-10	16.0/9.8 7.1/zero	16.0/9.8 7.1/zero
Electricity Imports	5.2	(—)	0-6	3.0	3.0
Renewables	—	0.2	—	2.0	2.0
Total	145.6	178.5	177.0	184.0	195

Note:
(1) Forecasts for the year 2000 are provided by: ENI (Ente Nazionale Idrocarburi), the state oil corporation; ENEA (Comitato Nazionale per la Ricerca e lo Sviluppo Dell'Energia Nucleare e Delle Energie Alternative), the National nuclear energy agency; ENEL (Ente Nazionale per L'energia Elettrica), the state electricity corporation.
(2) ENEL's forecasts for solid fuels and nuclear are shown, a/b, c/d; where a is full nuclear programme; b represents 6000MW of Nuclear (Montalto, Trino and Lombardy); c represents 4000MW of nuclear (Montalto and Trino); and d represents zero nuclear.
(3) ENI's forecast of 17.0 mtoe is for total primary electricity plus net imports.

Organised crime

Mafia charges flay politicians

MORE THAN 14 months have passed since the dramatic start *in Palermo of the "maxi-trial"* against 468 alleged Mafia bosses and killers, a trial which represents the most concrete attempt to date by the Italian state to *challenge* the power of the Sicilian mafia.

Much progress has been made recently in battling the power of the "Cosa Nostra," not only in Palermo, but also in trials against mafiosi in New York *and London. The maxi-trial in* Palermo, which is being held in a specially built "bunker-courtroom" inside the steel, concrete and barbed wire walls of a *maximum security prison, is* likely to conclude by year-end, and already magistrates in Sicily are saying in private that they are hoping for at least 400 *convictions out of the 468 defen*dants being tried.

The maxi-trial in Palermo, despite the international publicity it has generated, is *only the beginning of* a lengthy legal and police battle against the criminal organisation. The trial is important, both symbolically and also because its defendants include the likes of Mr Michele Greco, the alleged "boss of bosses" who, until recently, was presumed to have been the chairman of "cupola" or governing board of the Cosa Nostra in Sicily.

Some 400,000 pages of evidence and testimony have been compiled for the maxi-trial, and since the start of proceedings in February 1986 more than 1,400 witnesses have been called.

The trial is a procedural nightmare with its 468 defen*dants, more than 200 of them in* specially constructed cages inside the bunker-courtroom. Hundreds of carabineiry patrol in and around the court, the *streets nearby are watched by* machine gun-toting policemen astride bright blue tanks and the high-technology court room, with its closed-circuit video cameras and semi-circular shape looks more like the inside of a spaceship than a hall of justice.

But the maxi-trial has not stopped the *mafia* from operating. The organisation, which is believed to have annual revenues of more than $10bn from its main business—heroin *trading—is said to be* regrouping.

"The maxi-trial is important because it tells us a great deal about what kind of organisation *the mafia was until the early* 1980s. The question is now whether we will be able to keep the pressure on," remarked one Palermo official, who like many *officials* interviewed recently in the Sicilian capital, preferred to remain anonymous.

Lawyers for the alleged mafiosi have tried various *methods of disrupting* the proceedings, including going on strike on two occasions. It even became necessary for the Rome Parliament to enact a special *law in order to prevent the* mafiosi from being freed this spring upon the *expiry of the* period of time such suspects may be held in preventive custody.

The maxi trial is continuing, *however, and later in April* the second mafia maxi-trial begins in the same bunker courtroom in Palermo, this one with 90 defendants instead of 468. Court *sessions will probably be stag*gered (morning and afternoon) as Italian justice attempts to deal with the numerous alleged mafiosi.

A third such maxi-trial, completing the roster of the first 700 alleged mafiosi who have been indicted so far, is set to begin by the start of next year.

How important are all of these trials?

One point made frequently is discussing the battle against the mafia is that even from inside a maximum security prison the mafia bosses somehow succeed in continuing to run their affairs.

"These people continue to be bosses, even in prison," explains one legal expert in Palermo. "They are treated like *bosses, they get to wear their* own clothes, get specially prepared food, get to receive visitors and make telephone calls."

Yet the trials have succeeded in damaging the mafia by depriving it of some of its lead*ers and by reducing the overall* level of its revenues.

"No one fools themselves into thinking that this is the end of the mafia," says a veteran observer in Palermo, *"but the trial at* least hinders the organisation."

One positive outcome of the trial is that since its start 14 months ago the number of killings in Palermo has dropped substantially—in the 1981 to *1983 period the level was about* 300 homicides a year, including the murder of prominent judges, politicians and even General Carlo Alberto Dalla *Chiesa, the special anti-mafia* commissioner whose September 1982 assassination traumatised the nation.

Last year there were "only" around 80 murders *in Palermo*, which is deemed to be an improvement for the city which is described in candid terms by its determined anti-mafia *Mayor Leoluca Orlando* as "the capital of the mafia."

The 39-year-old Mayor Orlando is one of a few courageous anti-mafia politicians who have worked to rid the Christian Democrat party, the governing party in Sicily, of its *past* ties to the criminal organisation.

The mayor, a former professor of law, has put himself at risk by cutting off mafia companies from city contracts. *He has also* not hesitated to fly to Rome and make frequent demands of the President of the republic and the prime minister for support, both financial and paramilitary.

Mayor Orlando has even signed *the city's deposition in* the mafia maxi-trial in which the city government demands damages from the alleged mafiosi and also spells out certain ties between the mafia and political interests.

After the maxi-trial (all three segments of it) has concluded it will be time for the most explosive of all mafia trials—the so-called "political" trial which will include a former mayor of the city of Palermo and possibly even some surprise indictments, according to the magistrates at work on the investigation.

Tracing the links between the mafia and politicians is an *exceedingly difficult business.* Even if numerous judges, investigators and other officials will comment in private on the names of certain politicians *who are widely believed to have* collaborated with the mafia, obtaining the required proof is nearly impossible.

The name of Mr Salvo Lima, *the elegant and white-haired* Christian Democrat who has been the behind-the-scenes king-maker in Palermo for the past 30 years, has come up fre*quently in public discussion of* possible links between the mafia and politics.

Mr Lima is both a member of the European Parliament in *Strasbourg and the local repre*sentative in Sicily of the faction of the Christian Democrat party which is led nationally by Mr Giulio Andreotti.

Mr Lima has been accused by members of the Rome parliament's anti-mafia commission of having ties to the organisation. He was also named recently by the Communist Party of Palermo as "being tied to the mafia."

According to members of the Christian Democrat party, Mr Lima's supporters in Sicily deliver just under a fifth of the national votes obtained by the Andreotti faction of the Christian Democrat party.

In a recent interview in Sicily, Mr Lima declared that "I am *perhaps part of the evil here,* but at least I get things done." He made the remark at a Christian Democrat regional conference where he firmly rejected the drive for "renewal" of the party (meaning new faces and more transparency) led by Mr Ciriaco De Mita, national party secretary. Mr Lima described "renewal" as being misguided.

Mr De Mita's response to Mr Lima was to comment obliquely that "I personally do not think that the political interests of Mr Lima coincide with those of the Mafia and therefore I am astonished at his accusation and attack."

The fact that, since the 1970s Mr Lima has been accused publically of being tied to the mafia has inevitably had an indirect impact upon his patron in Rome, Mr Andreotti.

Indeed, Mr Andreotti was asked to testify last November before the mafia maxi-trial—the subject of his testimony concerned a conversation Mr Andreotti had in April 1982, just after the nomination of General Dalla Chiesa as the special anti-mafia commissioner.

The conversation was deemed important by the *family* of the late General Dalla Chiesa because Mr Andreotti is said by the family to have sought to ensure that his political allies in Sicily would not be investigated by the commissioner.

Lawyers *for* the Dalla Chiesa family alleged last year in court that the anti-mafia commissioner's murder "was the result of a sinister co-operation between certain corrupt *politicians* (in Sicily) and the mafia."

General Dalla Chiesa, during his 100 days in Palermo, was increasingly isolated and complained of *hostility from local* politicians.

The conversation between Mr Andreotti and General Dalla Chiesa—according to an entry *in the late general's diary dated* April 6, 1982—was solicited by Mr Andreotti. The diary records that the general was asked to a meeting with Mr Andreotti *"and given his electoral pre*sence in Sicily he showed himself to be indirectly interested in the matter."

The late general wrote that "I *was very clear and promised* that my work would not concern that part of the party which derived votes from his supporters." Although the diary *reveals that Mr Andreotti raised* the subject of his own political allies in Sicily who have been accused of having ties to the mafia, Mr Andreotti, in two *hours of testimony before the* maxi-trial, denied this in absolute terms.

Mr Andreotti said: "Well, I have read about this in the newspapers, but *I must say* absolutely that no, I never spoke of these issues . . ."

Lawyers for the family of General Dalla Chiesa said that either the late general's diary—which was written with precision and detail by a lifelong civil servant—was a fabrication, or else Mr Andreotti was lying under oath in his testimony The family's lawyers tried to get Mr Andreotti *indicted for perjury* and, indeed, magistrates have examined allegations that he "may have lied" under oath—but the allegations have been *shelved and no charges pre*ferred.

For the reformers inside the Sicilian wing of the Christian Democrat Party, the key, as Mr Rino Nicolosi, president of the region, puts it, is "to prosecute whoever may be tied to the mafia, be they politicians or not."

As for the alleged ties between Mr Andreotti's supporters in Sicily and the criminal organisation, the most discreet comment from a politician comes from *Mr Sergio Mat*tarella, a Christian Democrat member of Parliament whose brother, then president of the region, was murdered by the mafia in 1980.

Mr Mattarella's comment was that Mr Andreotti "is undoubtedly an experienced politician and a capable government leader who has been criticised in this country for not having chosen his friends well, for not having enough scruples about who his supporters are."

Alan Friedman

The determined anti-mafia Mayor of Palermo, Leoluca Orlando.

Media developments

'A declaration of war'

THE ITALIAN media world is *in the midst of an expansionary* phase—several new magazine and newspaper titles have been launched in the past year, especially in the field of financial *journalism.*

Radiotelevisione Italiana (RAI), the state television service, is meanwhile under extremely strong competitive pressure from the *increasingly* successful Berlusconi private television group.

The fundamental problem with much of the Italian media, be it print or broadcast, is the extraordinarily pervasive degree to which it is manipulated by both political parties and corporate proprietors.

The big industrial groups tend to each control some publishing interests. Thus Fiat owns La Stampa of Turin and controls the Corriere della Sera of *Milan, along with other publica*tions of the Rizzoli group.

Mr Carlo De Benedetti has key shareholdings in both the Mondadori and L'Espresso publishing groups. The latter controls the hugely successful La Repubblica, the centre-left Rome daily which has overtaken the Corriere to become Italy's leading newspaper, both in terms of circulation (La Repubblica sells around 520,000 copies against Corriere's 480,000 to 500,000) and influence.

Montedison, which is now controlled by the Ferruzzi agro-industrial group, owns Il Messagero, the local Rome newspaper. Ferruzzi also has shareholdings in the L'Espresso group. The Berlusconi Group controls Il Giornale, the Milan centre-right daily newspaper as well as he highly popular weekly TV Sorrisi e Canzoni, *the television guide sells more* than 2m copies.

Il Sole 24 Ore, the pink-coloured and respected *Italian* equivalent of the Financial Times, is owned by Confindustria, Italy's version of the Confederation of British Industry (CBI).

All of the above-named pap*ers have their strengths,* but investigative or critical journalism is rarely among these. Italian financial journalists are far more likely to simply reprint *press releases* than they are to "rock the boat."

The growth of the Italian economy and with it with stockmarket, mutual funds and increas*ing family* investment has spawned numerous new magazines and newspapers. The most important of these, and perhaps the only relatively independent *newspaper when it comes to* covering Italian business, is Italia Oggi, a Milan-based daily which was financed by the IPSOA economic research and textbook group and which is edited by Mr Marco Borsa, poss*ibly Italy's best financial* journalist.

Evidence of Italia Oggi's independence it to be found in the fact that while its advertising is *handled by Publikompass,* which is part of the Agnelli family's holdings, the newspaper is willing to cover Fiat in a critical manner.

Likewise, despite the editor's well-publicised personal friendship with Mr Carlo De Benedetti, Italia Oggi has been critical of Mr De Benedetti as well.

Italy has legislation designed to prevent any single proprietor from controlling more than 20 per cent of the daily newspaper *market. But this law did not stop* Fiat from taking control of the Corriere delle Sera last year, even though the Rome government's ombudsman declared the control of *Corriere as well* as La Stampa to violate the law.

Mr Cesare Romiti, the Fiat managing director who also is responsible for Corriere matters as the *chairman of Gemina,* the holding company which controls Rizzoli-Corriere, appealed the ruling. On appeal, the Turin group's control of both La *Stampa and Corriere was* deemed not to have broken the law.

In television Italy is still in the throes of a revolution brought about *earlier this* decade by the hugely ambitious Mr Silvio Berlusconi, the Milanese commercial television magnate who started his career as a property developer.

Mr Berlusconi, whose Fininvest master company controls three vastly popular private television networks—Canale 5, *Italia Uno and Rete Quattro—is* considered something of a living legend in Italy. His success in penetrating the French television market, difficulties with the government notwithstanding, has enhanced Mr Berlusconi's personal dream of eventually dominating European commercial television.

He has also bought the biggest studio in Madrid and hopes to gain a foothold in the Spanish market as well.

Back in Italy, the 51-year-old *Mr Berlusconi,* who circumvented laws which made national broadcasting the exclusive preserve of the government-owned RAI group, has given RAI's *three networks* (Uno, Due and Tre) a thrashing for the past five years, both in terms of advertising and audi*ence figures.*

Mr Berlusconi's critics say that his success is based on a low-brow formula of serials such as Dallas and Dynasty, *sports,* Hollywood quiz shows and numerous old American-made programmes and films which are "dumped" on the European market.

There is certainly some truth in the allegation that Mr Berlusconi owes part of his success in Italy to many of his song-and-dance variety shows and gen*erally popular programming,* although Fininvest executives claim that the future will see higher quality programmes, especially in the current affairs sector.

Mr Berlusconi is awaiting legislation which would authorise him to begin live broadcasting for the first time. At present *his "networks" give the illu*sion of a national broadcast because video tapes are shuttled up and down the Italian peninsular to 800 relay stations which beam the programmes simultaneously.

It is thought possible that the new legislation, when it is eventually approved, may force Mr *Berlusconi to sell off one of his* three stations, probably Rete Quattro, the smallest.

Figures are hard to come by—Fininvest has never published a *consolidated* balance sheet. But the group said it expected to reach 1986 consolidated turnover of L2,500bn ($1.9bn). That, however, includes many *other activities beyond* television. A better indicator is advertising revenues.

Last year, RAI had around L600bn ($462m) of advertising for its three channels, but this figure is misleading because it represents the ceiling allowed under parliamentary rules. Mr Berlusconi's three channels, which have effectively reinvented consumer product advertising in Italy (while borrowing heavily from the American experience), last year attracted around L1,400bn ($1.1bn) of advertising revenues.

The state television service, known in Italian media circles *as "La Mama RAI," is mean*while handicapped not only by fierce competition from Mr Berlusconi, but low staff morale, rowing political factions and *most recently, the loss of Italy's* two most popular television stars to Mr Berlusconi.

On a recent weekday afternoon at RAI's headquarter in Rome, *Mr Enrico Manca,* the Socialist politician (a member of parliament until his RAI appointment last October) who *is chairman of RAI, looked* rather depressed at Mr Berlusconi's latest coup.

The former Milanese property developer had just poached *from the RAI Mr Pippo Baudo* and Ms Raffaela Carra, each of these television variety show presenters capable of commanding a television audience *of between ten and fifteen million* viewers.

An aide to the RAI chairman described Mr Berlusconi's payment of annual salaries of nearly $2m each to the former RAI stars as "a declaration of war."

More remarks were made about how Mr Berlusconi had allegedly "transformed the market for television presenters into a market for football stars."

Mr Manca, a cigar-chomping *Sardinian who served in the* past as a Socialist foreign trade minister, tried to downplay the Berlusconi swoop, but it clearly was a serious problem.

The 56-year-old Mr Manca admitted, however, that the political infighting at the RAI and partisan manipulation of the evening news programmes *by political parties was an even* more serious problem.

The problems, in simple terms, are twofold: first, key management and board *appointments at the RAI have* traditionally been apportioned on the basis of political affiliation and second the news reporting is slanted in favour of different parties *on different chan*nels.

Rai Uno is controlled by Christian Democrats and the Rai Uno news programmes at *times seem like propaganda for* this party — the same is true of the Socialists at Rai Due and the Communists at Rai Tre.

The row over the appointment of *a new board and chairman* was so violent between the Socialists and Christian Democrats that at one point 15 months ago Mr Claudio Martelli, the *vice-secretary of the Socialists,* threatened to bring down the government if Mr Pierre Carniti, a trade union leader, was not appointed chairman.

In the event it was another Socialist — Mr Manca — who took over. The director-general of the RAI, meanwhile, is Mr Biagio Agnes, a Christian Democrat.

RAI says that it is neck-and-neck with Berlusconi in terms of audience share, but executives admit in private that they face an *uphill* battle.

Alan Friedman

A conversation with Mr Manca

IT IS late afternoon at the headquarters in Rome of the state television service, RAI (Radiotelevisione Italiana), and on the seventh *floor, where* the executive suite of offices is located, workmen are decorating walls and aides to Mr Enrico Manca, the RAI chairman, are scurrying about.

Mr Manca, who until his appointment to RAI last *autumn* was a Socialist MP (he is still a member of the Socialist Party's national executive), is running behind schedule.

"It's another one of those delegations from parliament, come to protest about the political bias of some broadcast or another. We get about two or three of these protest visits every month," *confides* an aide to Mr Manca.

In the chairman's office, Mr Manca sits back in his leather-covered chair and tries to downplay the difficulty of the tasks he faces. The challenge from Silvio Berlusconi's private television empire, *for example, is a problem,* but not insuperable.

"*I consider a mixed broadcasting system to* be the best in a democracy, but we need a *strong public television service to compete* with the private sector," says the chairman of a state television service which is facing tremendous competition from Mr Berlusconi.

The danger, Mr Manca warns, is that RAI could "*end up offering just culture and news*" while Mr Berlusconi dominates the entertainment field. The RAI chairman admits that with Mr Berlusconi having bought state television's most popular stars the two television groups are in a "commercial war."

Enrico Manca of RAI

He points with pride to RAI's breakfast television, introduced last December and attracting an average of more than a million viewers each morning. *Likewise the state* television group's "Televideo" videotext *subscriber service is a success.* But Mr Manca admits that "we lack an entrepreneurial approach here and we must try harder."

He wants RAI to work harder on *experimental* cable systems in Northern Italy, on the marketing of video information products and software and on "*distinguishing three different markets for our three different* channels."

Although he is loathe to define these three markets they are considered in Italian media circles to be the popular mass market (RAI UNO), *the middle market (RAI DUE) and the* high-brow market (RAI TRE).

The RAI chairman seems perfectly at ease discussing the way political parties (including his own) tend to influence news programmes.

"We must eliminate *political influence* in RAI television," Mr Manca says. "We must *prove ourselves to be autonomous from the* parties," he adds.

The RAI chairman does not specify how he proposes to transform this rhetoric into action. But he explains that "since I have been *designated as RAI chairman by the Socialist* Party, and there is no doubt about that, I must *prove myself* to be autonomous."

Later on, after the conversation with Mr Manca has ended, an aide admits that putting a stop to the political influence in RAI news programming is rather an ambitious project.

Oddly enough, it is the considered view of many in Italian television that only once Mr *Berlusconi obtains permission to broadcast* his own live evening news programmes will this competition begin to *put an end* to the party political domination of RAI news broadcasts.

Perhaps this is one aspect of Mr Manca's "mixed system."

Alan Friedman

Exports pattern modified

THE FALL of oil prices and the devaluation of the dollar have helped to modify the pattern of Italian exports. Figures from the foreign trade institute ICE show that the value of exports to Opec countries fell heavily last year.

Sales to Saudi Arabia, Italy's most important Opec customer, were down by 38 per cent to L2,181bn, and similar percentage falls were recorded in the value of exports to Kuwait, the UAE and Iraq.

The value of sales to Nigeria slumped even more sharply, from L654bn to L376bn. A similar fall of more than 40 per cent was registered in exports to Libya, down from L2,402bn in 1985 to L1,406bn last year.

Statistics from OECD show the heavy reliance which Italian exporters have placed on sales in Opec markets. The producers absorbed 13.6 per cent of total Italian exports in 1983 (compared with 7.3 per cent of total West German exports, 9.6 per cent of French exports and 8.7 per cent of British exports).

During the first half of last year Opec markets took 7.1 per cent of total Italian exports (compared with 3.6 per cent West German exports, 5.4 per cent for France and 7.2 per cent for Britain). Obviously, the slump in oil revenues, caused by lower prices of crude oil and a weak dollar, has been the cause of the damage to Italian exports.

After West Germany and France, the US ranks third in the league of Italian export customers. With the value of US purchases from Italy amounting to L18,357bn in 1985, the gap between France and the US was L2,646bn.

Last year the value of sales to the US fell to L15,604bn, thereby widening the gap with France to L7,099bn.

But Italy's success as an exporting economy is clearly illustrated in the "white book" recently presented by ICE and the ministry of foreign trade. In 1983 the overall ratio of exports to production plus imports was 21.7 per cent (15.3 per cent in 1971).

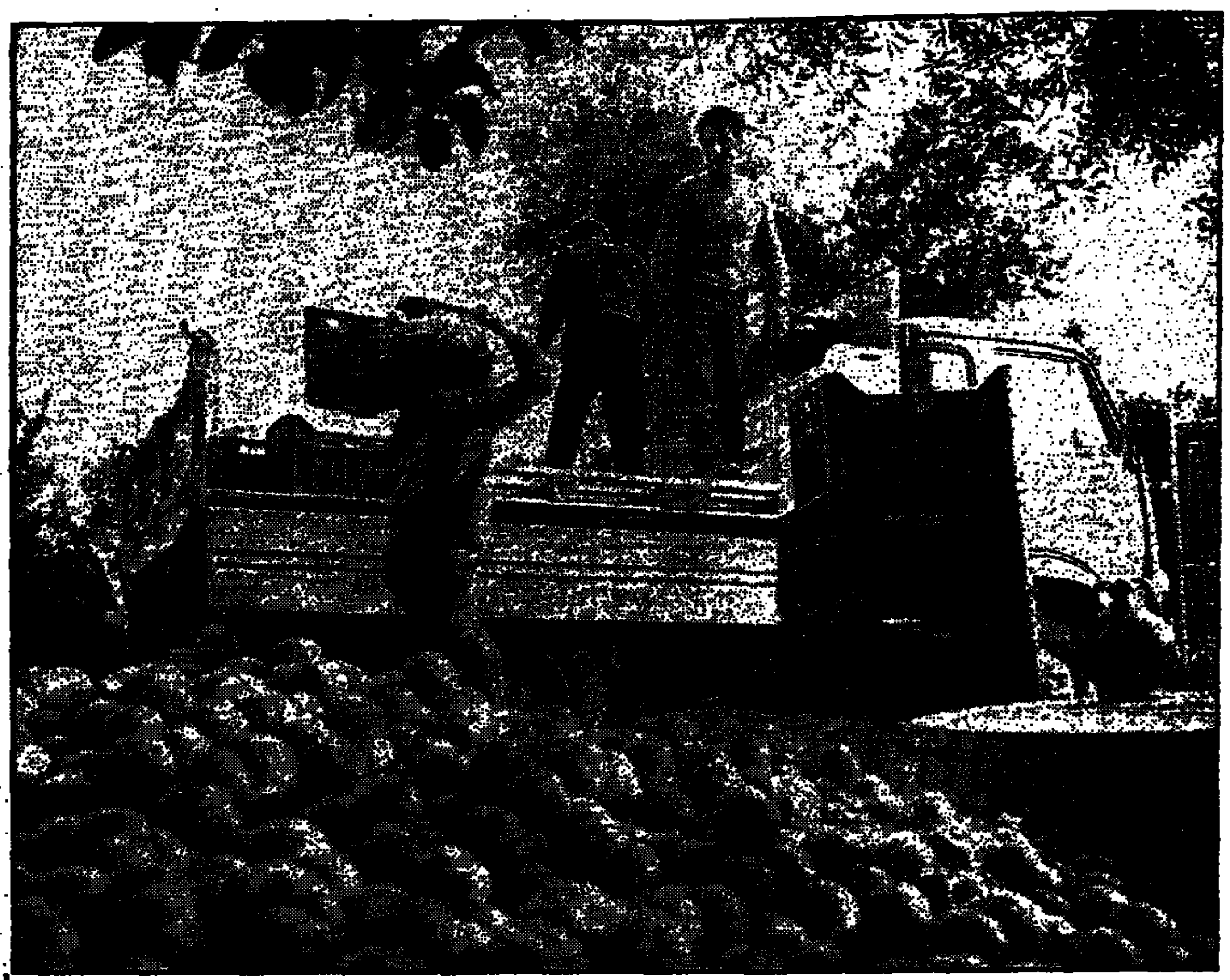
While not as dynamic in export performance as West Germany, the ratio of which was 27.2 per cent in 1983 (17.4 per cent in 1971), Italy managed to do better than France (21.4 per cent in 1983), Britain (18.7 per cent), Japan (14.8 per cent) and the US (7.4 per cent).

The "white book" draws attention to sectoral differences, pointing out the particularly high level of internationalisation achieved by Italy's industrial and agricultural machinery sector.

In recent years more than one half of production has been destined for export markets, compared with an average of 30 per cent for European countries as a whole. On the other hand, the chemicals sector is held to be under-performing.

In contrast to chemicals, and in common with agricultural machinery, certain traditional sectors of Italian industry have performed extremely well in export markets. The "white book" singles out the achievements of clothing and textiles which alone accounted for 13.0 per cent of total exports in 1984, a level not far removed from the leading sector. Industrial and agricultural machinery earned 15.2 per cent of Italy's total export revenues in 1984.

David Lane



Nearly 80 per cent of Italy's goods are moved by road. Above: oranges being loaded in the south, ready for the markets in northern Italy. The recent lorry drivers' strike cost the country more than L1,000bn.

Successes in glassware, shoes and leathergoods

Shrewd marketing pays off

THOUGH THEY may not be everyone's idea of good taste for interior decoration or tableware, the gaudy colours and unusual shapes produced in the artisan glassworks of Murano have won a place in export markets. Indeed, glassware probably ranks high among tourist mementoes of holidays in Venice.

Any cultural grand tour of Italy would almost certainly include a stop in Florence and its nearby Tuscan neighbour Siena, as well as in the "serenissima" city. But few visitors would think of buying glassware in Tuscany. Their D-marks and dollars are mainly spent on leather goods, jewellery and in Florence's smart clothes shops.

Yet, Colle Val d'Elsa, just off the superstrada which links Tuscany's principal city to Siena, is the home of Italy's largest manufacturer of quality table glassware. Moreover, the Cristalleria Artistica La Piana (CALP) is a major exporter, with about 60 per cent of production helping Italy's balance of payments by being sold overseas.

According to Mauro Faneschi, CALP's general manager, the company is following a long tradition of Italian glassmaking which dates back to the period of Imperial Rome. Apparently glassmaking in the Renaissance was not confined to the Venetian Republic, and Colle Val d'Elsa was itself a centre of production. But in later times Italy fell behind as traditions and techniques grew in Germany, France, Czechoslovakia and Britain.

While CALP is a young company, established only 20 years ago, it has quickly managed to make considerable progress. Ten years ago turnover was only L5bn. Last year net sales amounted to L69bn, of which L40bn were in export markets. *Net profits after tax (L6bn) and* depreciation (L7bn) were over L8bn. CALP's shares recently gained quotation on Rome's stock market.

"Our products are directed towards the middle/upper middle market," said Mr Faneschi. Wine goblets and glasses of the company's 'Primavera' range retail in Italy at around L7,000 each, while a hand-cut product can cost more than L15,000. CALP aims to maintain price competitivity and standards of quality through a heavy investment programme. Last year L11bn was spent on new equipment and a similar level of annual expenditure is planned for the next seven years.

CALP's general manager believes that the company will only be able to maintain its position in export markets through technological innovation. "We need to be flexible in order to satisfy our overseas customers. There are substantial differences in glass tableware from country to country. Wine glasses and whisky tumblers are certainly not the same in every market. West Germany wants beer glasses as well," said *Mr Faneschi. Elasticity in* packaging is also essential. Sets of six glasses are standard in Europe, but the Japanese want sets of five and the Americans *sets of four.*

CALP's foreign sales of L40bn in 1986 were achieved in 30 different countries. However, Britain is the most important export market, accounting for about *L12bn. Mr Faneschi* described relations with British importers as excellent. He is particularly proud of the shelf space which CALP's glassware occupies in Harrods and other major stores.

Mr Faneschi admitted, however, that the fall of sterling against the lira has had a sharply adverse effect on volumes, as sales are priced in the Italian currency. But volumes of exports to the US, which takes nearly 20 per cent of foreign sales, have not been affected. Invoicing to this market, where CALP has a subsidiary company, has always been in dollars. In this case the parent company has been faced with the problems arising from foreign exchange variations.

Leather goods and shoes are another sector in which Italian firms have traditionally performed well, earning 7.7 per cent of total export income in 1984. Last year, however, export volumes in this sector slipped back by 2.8 per cent. Moreover, a nosedive occurred in the second half of the year, with volumes down by 5.2 per cent in the third quarter and 11.6 per cent in the final quarter.

Probably few people are better able to comment on the situation in this sector than Ferruccio Ferragamo, general manager of the company which is widely recognised as Italy's top shoemaker. The company had total sales of L100bn in 1986, of which exports accounted for, L80bn. Mr Ferragamo said that *the US is his company's princi*pal market by a wide margin, absorbing approximately 80 per cent of its total exports.

Speaking from the company's elegant headquarters in the 13th century *Palazzo Feroni in* Florence's Via Tornabuoni, Mr Ferragamo recalled that shoemaking was the trade of his father, and founder of the family firm, Salvatore Ferragamo. Though the company's range of products was widened during the 1960s and 1970s, shoes still contribute about two thirds of turnover. Men's and women's ready-to-wear, luggage, accessories and gift items account for only one third of Ferragamo's annual sales.

Monthly production runs to about 70,000 pairs of shoes, in addition to which there are 4,000 handbags and 8,000 items of ready-to-wear clothing. According to Mr Ferragamo, "the styles are those of classical good taste, fashionable but *not over-played.*" While the US market predominates, Ferragamo's goods do not lack a more international appeal. In Japan the company sells through agency agreements with 53 shops. It *has its own shops in London's* fashionable Old Bond Street and in Zurich. All the main European markets are covered and so also are the principal Middle and Far Eastern countries.

Without doubt, the Ferragamo name is a label of top quality for shoes. The company has made footwear for such personalities and beauties as Rita Hayworth, Ingrid Bergman, Katherine *Hepburn,* Bette *Davis* and *Mar*lene Dietrich. "Fashion is a factor, but our success does not neglect the essential ingredients of comfort and quality," said Mr Ferragamo.

Its somewhat special clientele gives Ferragamo a defence against erosion caused by dollar devaluation. "Our customers are in the upper segment of the market, which generally manages to be less affected by currency shifts. Nevertheless we have to sell 3,000 pairs of shoes a day in the US and there is a risk of falling below this level" said Mr Ferragamo.

The company sets prices every six months and is aware of the need to be competitive. Even where money consciousness is relatively low among *customers, large price hikes* are not feasible. The dollar has fallen nearly 40 per cent compared to its high point against the lira. Passing on such a rise is inconceivable, so the company is being forced to accept substantial reductions in margins on sales at its shops in New York and Palm Beach.

It is clear that much of Italian business is facing squarely up to the difficulties posed by the weak dollar, lower oil prices and consequently tougher competition on world markets. Medium sized concerns like the Tuscan companies CALP and Ferragamo are typical examples of aggressive entrepreneurialism which is reluctant to lose hard-won market shares abroad. Emphasis on quality *and flexibility, in both finance* and production, are the tools which Italian businessmen are employing to maintain their export positions.

David Lane

Italy's exports

Values in thousand billion lire

	Exports (FOB) 1985	Exports (FOB) 1986	Balance(1) 1985	Balance(1) 1986
Agriculture & fish	4.7	4.2	−9.6	−8.7
Energy products	7.2	4.1	−39.1	−19.7
Metallic minerals	7.9	6.9	−7.1	−6.9
Non-metallic minerals	5.8	5.7	3.3	3.2
Chemical products	12.8	11.7	−5.8	−6.8
Engineering products	46.0	46.9	19.0	17.6
Transport equipment	12.4	13.2	−0.9	−0.5
Food, drinks & tobacco	7.1	6.1	−8.0	−7.7
Textiles, leather & clothing	28.9	29.8	19.7	20.6
Other products	17.0	16.8	5.4	5.2
TOTAL	149.7	145.3	−23.1	−3.7

Note: (1) Balance is deficit (−) or surplus referred to CIF imports

Source: Bank of Italy/ISTAT

Italy's Export Markets

	% 1983	% 1985	% 1986
OECD	68.4	73.4	77.4
of which:			
EEC	46.2	48.2	53.2
USA	7.8	12.3	10.8
Comecon	3.8	3.4	3.0
OPEC	13.6	9.3	7.1
Others	14.2	13.9	12.5
Total	100.0	100.0	100.0

Source: ICE/Mincomes 'white book'

Key customers

Values in thousand billion lire

	1985	1986
Total exports	149.7	145.3
of which:		
West Germany	24.2	26.4
France	21.0	22.7
US	18.4	15.6
United Kingdom	10.4	10.3
Switzerland	6.1	6.6
Netherlands	4.6	4.8
Belgium	4.4	4.8

Source: ICE/ISTAT

Olivetti, a leader in the European office equipment sector, dominates Italy's electronics industry. The company specialises in data processing equipment for banks and the financial world. Above: tests being made on computers at Olivetti's plant in Scarmagno.

Picture by Hugh Routledge.

Transport and communications

Lorrymen show their strength

ONE OF those disruptive events which governments can do little to solve — and which may even contribute to their downfall — occurred in Italy nearly two months ago.

Just ten days before Mr Bettino Craxi resigned as Prime Minister, Italy's lorry drivers — including fuel-tanker drivers — staged a nationwide strike. A nervous population watched while the petrol-pumps in the cities dried up, fresh vegetables were in short supply and food prices began to rise in the market places.

The strike lasted five days. Losses to farmers, industry and business in general were estimated at more than L1,000bn.

Italy is at present almost totally dependent on road transport. Nearly 80 per cent of goods are moved by road (the highest proportion in any of the countries on the continent of Europe), less than 10 per cent by rail, less than 10 per cent by sea, and about 4 per cent divided between air and pipeline.

Mr Claudio Signorile, the Transport Minister, blames this concentration of power in the hands of the lorry-drivers' unions on a short-sighted transport policy during the 1950s and '60s, which poured resources into the development of the autostrada system, thus aiding the growth of Italy's major industrial sector, the motor industry.

As he says, "Even a third-class general knows that his army's destiny is linked to his *supply-lines,* and his first move must be to protect these."

The minister has now been criticised by Walter Mandelli, Vice-President of Confindustria (the association of private in*dustries) for rewarding* a wildcat strike with excessive concessions — among which were the promise of a raised speed limit for heavy vehicles from 80 to 90 kmph and a rise of 10 per cent in the road transport *tariffs* (4 per cent over the current rate of inflation).

The putting-up of the speed limit was also unpopular with 52 per cent of Italians (according to MACNO market research) who felt it would lead to a further spate of accidents.

Mr Signorile replies that the current speed limit is, in any case, not respected, and has managed to get a decree passed by Parliament which will make obligatory the installation of an automatic speed-controller on heavy lorries after 1990.

He also points out that in a business such as road haulage, where 200,000 operators are chasing too few customers, official tariffs mean very little. Only 48 per cent are larger-size companies, moving goods on their own account: the rest are small operators offering discounts — and the black market flourishes.

The fact that the railways have become everyone's least favourite form of transport is confirmed by a recent report from the Ministry. In the period 1972 to 1986, the number of individual travellers using the railways declined from 15.55 per cent to 12.7 per cent. The situation is unlikely to improve in the near future, as buses are predicted to become the favoured method of group travel in 1990-92, taking 16 per cent more passengers than the railways.

Now, however, the relatively cheap but inefficient railways are set for change. From the ashes of the Old "Azienda Ferrovie dello Stato" — into which State funds were ploughed regardless, and which was not expected to pay its way — has risen the new "Ente Ferrovie," with a new President, Mr Ludovico Ligato, a Christian Democrat from the south of Italy.

The strict rules governing the division of power in Italy meant that the president had to be a Christian Democrat, as the Minister of Transport (who lays *down the broad outlines of poli*cy and approves the Ente's budget), is a Socialist.

A member of the board is quoted in the Rome daily *La Repubblica* as describing this as the price to be paid to get the basis for the reform of the railways through Parliament.

The board of directors of the new company to some extent reflects the party political lineup, with five Christian Democrats, three Socialists, two Communists, one Republican, one Liberal and one Social Democrat — hardly a recipe for swift decision-making and a rapid turn-around in the ailing railways.

The Ente Ferrovie dello Stato is Italy's largest industry, with 214,000 employees (more workers than Fiat) — with 12 to 13 men per km of track — almost twice as many as the average on European railways.

Last year, losses were L600bn, more than expected, but which the Minister explains as partly due to renovation works, and partly because the industries which traditionally use the railways are those in decline, such as *steel.*

The situation for the railways may be improving, however. Eighteen months ago, Parliament approved the *piano regolatore* which approved the spending of L200,000bn for transport in general (to be spent over eight years) of which approximately L60,000bn are reserved for the railways.

This year's budget has provided for the Ente Ferrovie to spend L41,000bn, plus L5,000bn for investment in the South of Italy (including the first section of the new high-speed line link*ing Battipaglia (just south of* Rome) and Rome — for trains averaging speeds of 250 kph — will eventually extend to Milan.

The budget provides for L5,000bn for the new high-speed system in general; in addition, President Ligato plans to raise a further L12,000bn from private investors.

Italians have recently been bombarded — and surprised — by advertisements produced by the Ente, promising 310 kph trains with telephones and telexes aboard and links with airports, all in time for the World Cup Soccer Championships in 1990. The average speed between Milan and Turin at present is 50 kph, and although the "super-rapido" Rome/Milan takes just over five hours, overnight trains can take up to eight hours.

There are no rail links with any Italian airports, and the two or three first-class carriages packed full on the long and dated Palermo/Turin and Bari/Milan lines make it abundantly clear that Italians are only too ready to pay more for a better service.

Claudio Signorile is sceptical of the extravagant claims made by the Ente's publicists and feels that we shall have to wait for 1992 to 1995 to see a major improvement in the railways. But the prototype of the new high-speed train, the ETR 500, will be ready by December this year, and there will be a handful in service by 1990.

He is excited that at last his vision of an intermodal service *for the movement of goods* (part sea, part road and part rail — using trucks, with retractable wheels, that can ride on trains) and an efficient suburban passenger train network, is at last becoming tangible.

There is also criticism of the generous funding given to the Ente Ferrovie. Mr Gianni de Michelis, Minister of Labour, *says that in principle, he is* against major plans funded by the State, and that the railways should do something about their over staffed and inefficient organisation, before asking for money. *He* claims that there are at least 100,000 employees too many.

President Ligato, speaking from his luxurious office, housed in the same building as the Transport Ministry yet in marked contrast to the Minister's *workmanlike quarters,* does not admit to over-staffing. He is, however, hoping to persuade 9,000 of their workforce into early retirement.

Just how efficient the new 'Ente' will be in using their large state subsidies remains a major question: not least because of the delicate balance of power between the Transport Minister and the Ente's president. There are also considerable delays and difficlties in encouraging the various regional and town coouncils to agree about new works.

According to Mr Ligato, the Rome/Florence high-speed line (which will cut travel time from the present 2 hrs 10 mins—on a fast train—to one hour and 25 mins.) would already have been in operation if the Regione Toscana had not asked for two years to make their decision as to whether the works necessary at the entrance to Florence could go ahead. It is expected now to be functioning by the end of next year.

Last month the Ente met the Unions to hammer out a new contract. The Ente has made it *clear that the cosy umbrella of* mother-state is closed forever; salary increases which must be financed by a verified increase in productivity, and a differentiated salary system according to the type of work, are just two of the management objectives.

Another proof that the Ente means business was the decision to set up an inquiry after a complaint from a nun who had travelled on the Rome-Brindisi line in July 1986, with a group of handicapped people, and who had been treated with "total indifference" by rail em*ployees when she dared to* protest at the filthy condition of the wagon-lits.

As a result, 22 rail workers were suspended without pay, following an inquiry by the Ente, which in turn caused a 24-hour strike at Rome's main station, Termini. It causedextreme inconvenience, but a large slice of public opinion was almost certainly on the side of the nun.

Jennifer Grego

Italian Post Office: from the series "Italian industry working for the world" issued in July 1986.

PORTRAIT OF A WORLD LEADER.

Not long ago the Italian government issued a unique postage stamp; instead of a famous face, the stamp shows a portrait of a machine. Computer wizards will recognise Olivetti's M24 Personal Computer.

The stamp salutes the rise of Olivetti as a world power in office automation and information technology. The ascent has been swift.

Fuelled by substantial levels of research, and the foresight to come up with the right product at the right time, Olivetti now leads Europe in personal computers and related systems. On a global scale, Olivetti and its technology partners provide tailor-made solutions for customers in more than 100 countries, worldwide.

Were you to travel to each of those countries you would find few technology companies that invest more in research than Olivetti.

You would find none that lavishes more attention on its customers.

olivetti

Profile: the novelist Leonardo Sciascia

Explaining the Mafia

Leonardo Sciascia, Sicilian writer and politician, engaged in controversy

HE IS not widely known outside of Italy, is certainly not as famous at the late Italo Calvino, who was his dear friend. At home, although he is now one of the country's greatest living authors, the first thought that comes into most people's minds when they hear his name is not so much his literature as the subject he writes about, speaks about, has engaged in politics about . . . his native Sicily.

His name is Leonardo Sciascia, (pronounced Sha-Sha), and the 66-year-old writer of novels, plays, poetry, essays, short stories and investigative historical works seems frail on this particular Monday morning in early April as he emerges from the lift of a discreet little hotel in Milan.

This is a rare journey north for the diminutive writer, who is best-known for explaining the realities of Sicily and the Mafia *to his fellow* Italians. He and his wife normally live a secluded existence between their homes in Palermo and near the Doric temples of Agrigento, 100 kilometres south of the Sicilian capital.

Lately Sciascia has emerged from his seclusion, however, to take part in the kind of nationally debated intellectual controversy which perhaps can only be found in Italy, a country whose artistic heroes pronounce on great issues of the day, are celebrated in the Press and media and even stand for parliament.

The great "Sciascia controversy" lasted for about 10 days in mid-January, about the length of most such Italian controversies. It arose from an article which the distinguished Sicilian author published in the *Corriere della Sera*, in which he criticised those whose opportunism caused them to "make a career" out of being anti-Mafia.

For the Anglo-Saxon mind, that seems a curious issue on which to base a national controversy, especially one which became so heated that it soon had everyone proclaiming their views, from journalists and judges to Mr Ciriaco De Mita, the secretary of the Christian Democrat party.

None the less, Leonardo Sciascia is a tremendously influential voice on matters relating to Sicily and the Mafia. His most celebrated novel *Il Giorno Della Civetta* (the author likes the translation "The Day of The Owl" better than "that horrid title they gave it in England") was published in 1961 and represented the first time the subject of the Mafia was the central theme in Italian literature.

"I wanted to document the phenomenon of the Mafia because governments in the post-war years actually denied the existence of the Mafia. When the Left raised the issue in parliament the Christian Democrats actually denied the existence of the Mafia," recalls the delicate writer, now setting down his coffee and lighting a Benson and Hedges.

"The Day Of The Owl" told the story of a captain in the carabinieri who comes from the North of Italy and is posted in a small Sicilian village where a Mafia murder is committed. This book, and others, are considered by Italians as some of the clearest and most sensitive portraits of how the Mafia really functions in Sicily.

But writing was only one way for Sciscia to express himself. Politics was another. In 1975 (although he says he is not a Communist), he was elected to the Palermo city council on the Communist Party ticket.

"I wanted to see politics up close," he explains, adding that he had seen enough after 18 months to realise that "in *Palermo there was no real* opposition."

In 1979, although not a member, he was persuaded to stand for parliament as a candidate for the tiny reform-minded Radical Party. He was elected both a deputy to Rome and to the European parliament. in Strasbourg, resigning the second to devote himself to national politics.

In Rome, Sciascia served as an MP for four years. He was a member of the parliamentary commission which investigated the traumatic kidnapping and murder by Red Brigades terrorists of Prime Minister Aldo Moro. His explosive conclusion, which he made the subject of a book, was that "the Christian Democrats could have ransomed Moro back if they had wanted to."

Controversy is therefore nothing new to Sciascia, who lights another British cigarette when asked to explain why he has criticised such well known anti-mafia campaigners as Mayor Leoluca Orlando of Palermo.

"These people are battling the mafia in the wrong way. I wasn't trying to attack Mayor Orlando himself, who is an honest man, but the way in which this anti-mafia fashion leaves the administration unattended to," he says.

The failure to pay attention to administration, to details, is one of Sciascia's pet themes. The current maxi-trial in Palermo of 468 alleged mafiosi "will resolve nothing" he maintains, because many sentences will be annulled on appeal as a result *of faulty legal work (this opinion* is not shared by most mafia experts, who suggest that Sciascia is getting carried away here).

What is to be done then to battle the mafia?

The old novelist sighs heavily and speaks of the need for the government to make use of the police and other weapons at its disposal. And he grimaces as he begins to speak about the Mafia and Italian politics.

"*The Mafia prospers because* the bureaucracy of the state is inefficient and corruptible, and because it uses both candidates and money in elections," he says.

And at the national level, in Rome? Does the man whose books have instructed most living Italians about the Mafia feel it has political influence beyond Sicily?

"I would prefer to use the term *contiguity*. Let us say that there are men of government who are certainly not in the mafia, but who have certain contiguous interests," he says.

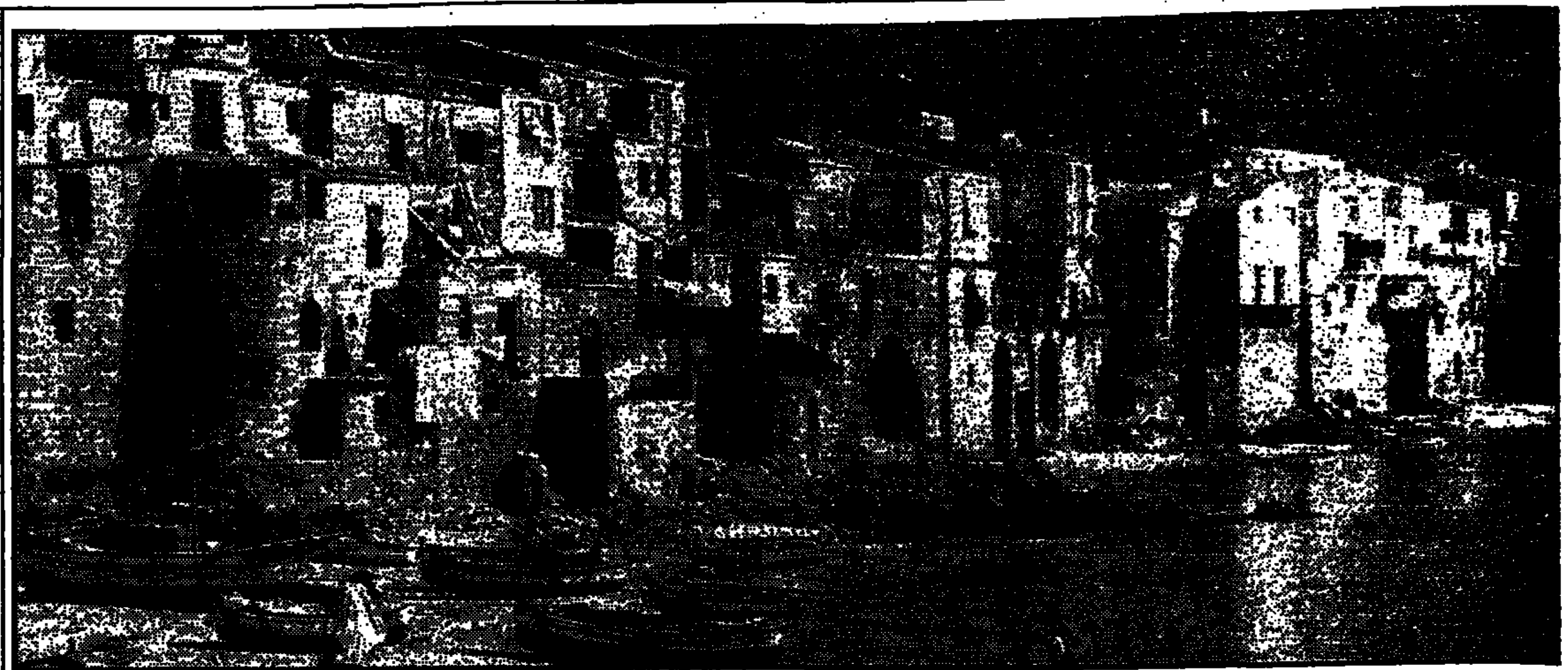
The conversation now changes course as Sciascia is asked about those writers who influenced him—"Voltaire, Diderot, Manzoni, Pirandello," he says, rattling off the names as though he would rather return to the subject of Sicily and the Mafia.

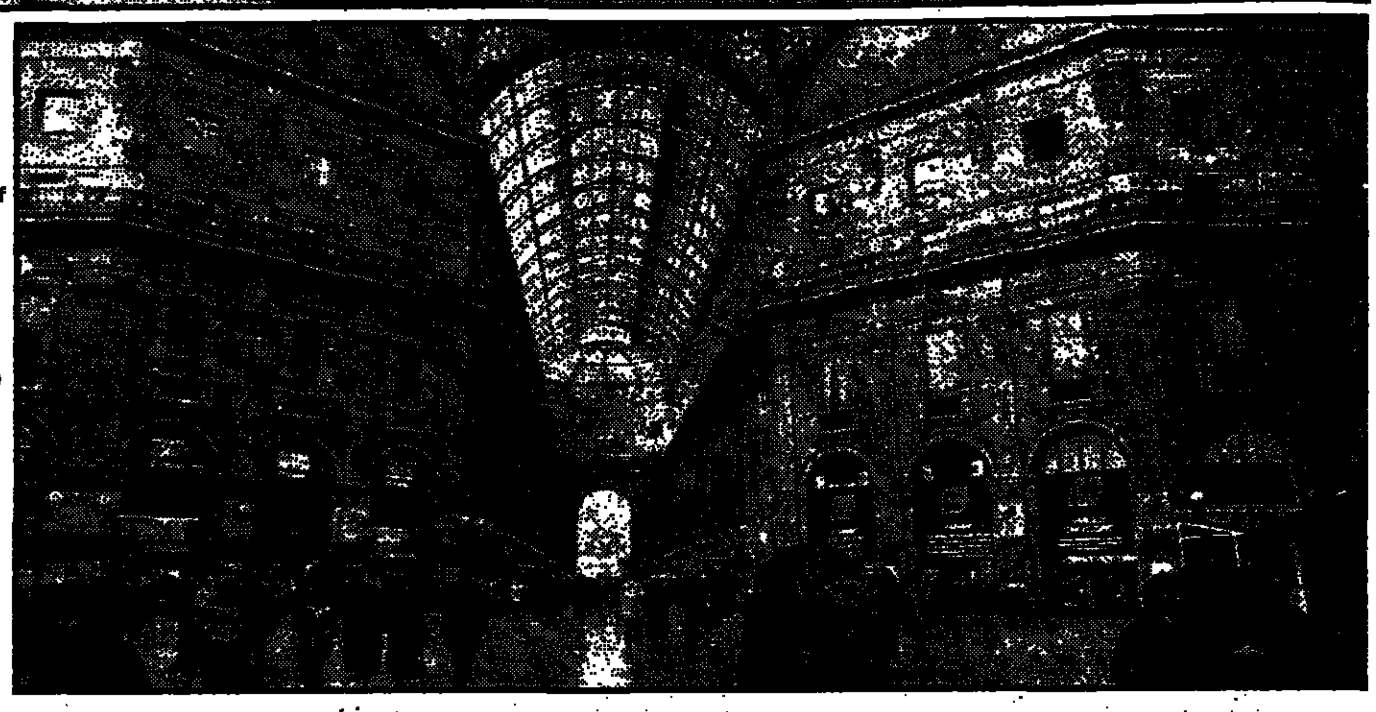
All right, then, how does he feel about the traditional prejudices most Italians have against Sicilians? Has anything changed in all of these years?

The grand old man of Sicilian letters lights one last cigarette. as his wife comes into the breakfast room—"there are still prejudices," he says and exhales smoke, "but Italy is no longer racist about Sicily, just regionalist."

The conversation now over, Sciascia prepares to take a stroll with his wife. He cuts an odd figure, this gentle and fragile old Sicilian writer in the Armani-speckled streets of fashionable Milan. The distance from here to Palermo is nearly 1,000 miles, but the distance to the world which Sciascia has so painstakingly described seems much, much farther.

Alan Friedman





Two aspects of Italy with strong appeal for the international tourist: right, the famous and imposing Galleria in Milan, part of the City's architectural heritage and a popular centre for shopping and eating out, not far from the cathedral area. Milan has some of the world's smartest fashion shops in the narrow streets near the Galleria. The city is also developing as a centre of contemporary art.
Above: the picturesque old harbour at Cefalu on Sicily's north coast. The island, like most of the Mezzogiorno, suffers from the region's problems of lack of investment and distance from Italy's main markets. Tourism is one of the best hopes for change in Calabria, but the industry is handicapped by a short season and uncompetitive prices. High unemployment in Calabria is a result of frustrated economic initiatives and attitudes which work against effective public administration.

Prosperous Milan, a growing centre for the contemporary art world

A warm bathtub for artists

MILAN, the home of the Lombards whose greatest resident artist was Leonardo Da Vinci, is more than just the centre of *Italian finance*, private industry, fashion and design. The prosperous city has been attracting foreign painters and sculptors from around the world in recent years, nurturing its own new talent and publishing beautiful and internationally admired art magazines.

The rise of Milan in the contemporary art world is only partly a function of its growing arts community—true to its mercantile tradition the city is also attracting the interest of buyers and sellers of art.

Mr Jeffery Deitch, the New York-based vice president of Citibank in charge of advising and financing collectors of modern art, says that Milan is profiting from a general revival of interest in Italian contemporary and recent art.

"Italy is more than ever on the international art map and Italians are making a big impact on the market. Milan is certainly a centre for the market and for its intellectual life," explains Mr Deitch, who manages Citibank's Art Advisory Service and who is seen in the US art world as a key arbiter of both taste and price levels.

The Milan art market is only a fraction of the size of the New York market, where modern art (auction house sales included) is estimated to be a $1bn a year business. But Italian artists have been selling well in the US, according to Mr Deitch.

Among these artists are Francesco Clemente and other members of Italy's "Transavantgarde" school of the late 1970s and early 1980s. Clemente has achieved a kind of superstar status in the contemporary art market, with his works now fetching between $10,000 and $100,000. The Transavantgarde painters, including Mimmo Paladino, Sandro Chia and Enzo Cucchi, did not actually work in Milan, but they are sold by Milanese as well as Rome and New York galleries.

The rise of Milan in contemporary art is a more recent phenomenon, with numerous unknown painters and sculptors having arrived from Britain, West Germany, Japan, Australia, the US and elsewhere. This infusion of new blood is a key reason for the growth in the city's stature according to Count Giuseppe Panza di Biumo, the Milan-based businessman who is one of the world's leading collectors of modern art.

Count Panza, a shy and bespectacled 64-year-old, has a collection of more than 600 abstract expressionist, conceptual and minimalist works which are valued at more than $30m. In his view, Milan is breeding new talent because it is more open to young foreign artists than other European cities. He scoffs at what he calls the "atrophy" and "chauvinism" of Paris, at the so-called "insularity" of London and at the "psychological difficulty of living anywhere in Germany."

But why should this Northern Italian commercial city of share dealings and industrial headquarters be such a magnet for artists?

There are those who maintain that the very wealth of Milan creates a "trickle down" effect which indirectly supports the art world. Milan has dozens of galleries and spumante-filled openings twice or three times a week, and yet most galleries tend to offer fairly "commercial" art which is not considered avant-garde, or well established modern artists such as Franz Kline or Andy Warhol, both of whose works were shown recently.

Mr Giancarlo Politi, an enterprising publisher whose Milan-based Flash Art magazine sells 40,000 copies in its English edition and claims to be the most widely read contemporary art magazine in the world, says Milan "allows artists to survive more than New York." Although he is scathing about most of the art produced in Italy, Mr Politi says Milan is "a generous city for artists."

Who, then, are some of the new artists coming up in Milan? Britain's Anthony Gormley, Alison Wilding and Jeffrey Dennis are three examples of new talents who have been patronised by the Milanese. Gormley and Wilding, both sculptors, and Dennis, a painter, work with Salvatore Ala, whose galleries in Milan and New York have launched them.

Antony Gormley's Home (1984) in terracotta, lead, fibreglass and plaster — *Picture: Gallery Ala*

Mr Ala, a compact and mustachioed 47-year-old art dealer of humble origins in Sicily, is today considered one of Milan's more original art dealers. He does not have the prominence of Enzo Sperone, whose Rome and New York galleries are more established, but Ala has 13 artists ("my children") whom he reckons to have discovered.

Aside from his British and American artists, Ala has worked successfully with a 34-year-old Norwegian painter called Kjell Erik Killi Olsen, who was shown in last year's Venice Biennale and has worked in Oslo, New York, Cologne, Yokohama and even Bradford. He nonetheless says he prefers Milan.

"Money has definitely influenced the scene, has attracted young artists and given them a chance," he admits. He should know, having had his materials, hotel bill, telephones and even the services of an assistant paid for during his six-month stay.

Olsen's paintings were priced in Milan last year at between $10,000 and $15,000, while younger and lesser known artists are lucky to sell for $2,000 on average at most galleries.

A number of artists come to Milan and complain that the dealers do not pay them.

"Italian dealers can be notorious," says one New York gallery-owner. And Mr Ala, whose operating costs between his New York and Milan galleries totals nearly $500,000 a year, admits to paying his artists "with difficulty."

Finances may be difficult, but new artists are being shown and are generating interest in the US market. The most alternative face of the Milan art market is represented by Horatio Goni, a young art dealer from Buenos Aires who lived and worked in London and Paris before coming here.

Mr Goni, whose gallery (Facsimile) is a large loft space in a legal squat which has the support of the city council, is convinced that a "movement" is developing in Milan.

Among Goni's discoveries in his rather undefined movement is Massimo Kaufman, a 23-year-old Milanese painter of Austrian and Lombard extraction. Kaufman's empty-looking, muted and often one-colour canvasses have been much talked about in Milan recently and he is an example of how the city's art world functions.

Goni first exhibited Kaufman's work, but now the young painter has been plucked for local stardom by Mr Claudio Guenzani, another dealer who sold his textile factory recently to devote himself to the arts. Guenzani pays Kaufman a stipend to carry on his "explorations of the unknown" and dreams of launching him abroad.

Not every Milan artist is fortunate enough to have a patron, but most manage to get by. The city is described by Mr Giorgio Marconi, the leading establishment dealer, as "a warm bathtub for artists." It is a bathtub which in recent years has seen plenty of splashing about.

Alan Friedman